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HOUSE OF REPRESENTATIVES

REPORT
98-739

SMALL BUSINESS DEVELOPMENT CENTER IMPROVEMENT ACT OF 1984

MAY 10, 1984.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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Mr. MITCHELL, from the Committee on Small Business, submitted the following

REPORT

[To accompany H.R. 5334]

[Including cost estimate of the Congressional Budget Office]

The Committee on Small Business, to whom was referred the bill (H.R. 5334) to improve the small business development center program, and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The amendments (stated in terms of the page and line numbers of the introduced bill) are as follows:

Page 4, strike out lines 4 and 5 and insert in lieu thereof: "To the extend practicable, each intake center and each intake subcenter shall be located in easily accessible facilities in such places as".

Page 6, strike out line 20 and insert in lieu thereof: "striking 'January 1, 1985' and by inserting in lieu thereof 'October 1, 1988'.".

THE PURPOSE OF THE BILL

The Committee's bill, H.R. 5334, is intended to extend for four years the Small Business Administration's management assistance program known as the Small Business Development Center (SBDC) Program, now scheduled to sunset on January 1, 1985.

In addition to extending the SBDC program, the Committee is acting to increase the available benefits from the more than thirty such small business management assistance programs now in exist-

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ence throughout the country through technical and clarifying amendments to assist in program delivery.

Small businesses are helped by the primarily university-operated SBDC's in confronting a wide range of management and technical problems. Through matching State and Federal grants, SBDC's have assisted more than 260,000 small businesses and can reach even more.

The hands-on, problem-solving assistance provided under the SBDC program is vital to improved management in the small business community and enhanced innovation and productivity. With the added benefits which H.R. 5334 will provide with no increased program costs, the SBDC's can do more to assist small business.

Introduction and Background

Numerous studies have demonstrated that lack of management expertise and assistance is one of the major contributing factors to small business failures. Your Committee examined this problem in detail, as did the Small Business Administration, and both concluded that a possible solution was for SBA to form a partnership with universities, State governments and other entities to provide help at the local level. In 1980 Congress enacted Public Law 96-302, containing the new partnership provisions as a Small Business Development Center program.

Under the provisions of that law, SBA was authorized to enter contracts and cooperative agreements with any State government or State agency, any regional entity, any State chartered corporation or institution of higher education or virtually any other group to provide counseling, assistance in technology transfer, information on regulations, research into business problems and other types of management assistance to the small business community. The key difference between this program and others which had been authorized in the past, however, was that those institutions applying to participate in the program were required to provide matching funds in an amount equal to the SBA funds. Not only does this matching funds requirement double the size of the program, but infusion of local funds insures interest and accountability at the local level.

At the time that Public Law 96-302 was enacted, your Committee did not want to create simply another new program without follow up consideration and evaluation of its merits. Accordingly, the program was designed to be conducted for four years and then to sunset automatically if not extended. The first sunset provision was October 1, 1984 at which time the program would have been repealed.

After preliminary oversight in the 1st Session of this Congress, and as a preliminary measure, H.R. 4013, P.L. 98-177 changed existing law and extended from October 1, 1984, to January 1, 1985, the sunset or repeal of the Small Business Development Center management assistance program.

During the four years of program operation, small business development centers have been established in the District of Columbia and 31 States. Although not required by law, the existing SBDC's are all operated in connection with universities. To date,

these centers have provided hands-on management assistance to over 260,000 businesses.

The states now participating in the program and the current SBA funding is as follows:

Date of program admission	State and lead participant	Current Federal funding level
Fiscal year:		
1977	Maine.—University of Southern Maine, Portland, Maine	$344,125
1980	Massachusetts.—University of Massachusetts, Amherst, Mass	796,424
1981	Connecticut.—University of Connecticut, Storrs, Conn	464,936
1983	Vermont.—University of Vermont, Burlington, Vt	150,000
1977	New Jersey.—Rutgers University, Rutgers, N.J	332,200
1979	Pennsylvania.—University of Pennsylvania, Wharton School, Philadephia, Pa	2,321,776
1982	West Virginia.—University of Charleston, Charleston, W. Va	329,467
1977	District of Columbia.—Howard University, Washington, D.C	538,662
1982	Delaware.—University of Delaware, Newark, Del	132,979
1977	Georgia.—University of Georgia at Athens, Athens, Ga	1,472,606
1977	Florida.—University of West Florida, Pensacola, Fla	1,706,399
1979	South Carolina.—University of South Carolina, Columbia, S.C	527,158
1980	Alabama.—University of Alabama at Birmingham, Ala	786,945
1981	Mississippi.—University of Mississippi, Jackson, Miss	610,837
1981	Kentucky.—University of Kentucky, Lexington, Ky	539,237
1979	Wisonsin.—University of Wisconsin, Madison, Wis	1,615,500
1979	Minnesota.—College of St. Thomas, St. Paul, Minn	583,296
1983	Michigan.—Wayne State University, Detroit, Mich	242,500
1979	Arkansas.—University of Arkansas at Little Rock, Little Rock, Ark	571,161
1983	Louisiana.—Northeast Louisiana State University, Monroe, La	313,275
1977	Missouri.—St. Louis University, St. Louis, Mo	491,450
1977	Nebraska.—University of Nebraska at Omaha, Omaha, Nebr	513,118
1981	Iowa.—Iowa State University, Ames, Iowa	484,672
1979	Utah.—Utah State University, Salt Lake City, Utah	385,757
1979	Washington.—Washington State University, Pullman, Wash	691,171
1983	Rhode Island.—Bryant College, Smithfield, R.I	289,223
1983	Kansas.—Wichita State University, Wichita, Kans	256,130
1984	New Hampshire.—University of New Hampshire, Durham, N.H	133,825
1984	Tennessee.—Memphis State University, Memphis, Tenn	200,000
1984	Illinois.—Illinois Department of Commerce and Community Affairs, Springfield, Ill	397,750
1984	Texas.—University of Texas at Arlington, Tex	100,000
1984	Oregon.—Lane Community College, Eugene, Oreg	350,000

In addition, applications for SBDC funding have been filed from New York, North Carolina, Houston, Texas, and Oklahoma, with interest having been expressed by Ohio, Indiana, California, Nevada and Puerto Rico.

Looking toward program reauthorization, extensive SBDC program hearings this Congress began with a joint hearing of the Subcommittee on SBA and SBIC Authority Minority Enterprise and General Small Business Problems of the House Committee on Small Business and the Committee on Small Business of the United States Senate in Seattle, Washington on July 6, 1983.

The Subcommittee held further SBDC hearings in Atlanta, Georgia, on August 30, 1983, and in Columbia, South Carolina, on December 9, 1983. Witnesses included SBDC officials and numerous small business clients who had used SBDC services.

On April 4, 1984, the Full Committee held a final hearing on H.R. 5334, Chairman Mitchell's bid to extend for an additional four years the sunset on the Small Business Development Center pro-

gram, to authorize the appropriation of such sums as may be necessary to carry out the program, and to make a number of technical and clarifying changes to assist in the program delivery and evaluation.

The Full Committee marked up H.R. 5334 on April 4, 1984, and in subsequent action on that date ordered the bill, as amended, reported to the House by a unanimous vote.

Need for the Legislation

There are more than 10 million companies in the United States classified as small. Of these, 3.4 million do $5 million or less in business each year and employ fewer than 100 workers each. Nonetheless, small business contributes a surprising 43 percent to the gross national product.

Small concerns provide more employment than all Fortune 500 Companies combined. Small business, directly or indirectly, provides a livelihood for more than 100 million Americans.

Normal working hours don't exist for those running their own business. To most small business people, their work is their hobby, their enjoyment, as well as their livelihood. They believe they have a valuable product or service to offer. They are committed to serve and they are committed to the American dream of success and profit.

Small business people are pioneers, risktakers and decisionmakers dedicated to the market system and committed to free enterprise. If America's revitalization is to succeed, it must be spearheaded by small business.

Unfortunately, a business and economic philosophy of market enterprise, risk, and capitalism, and even worthwhile products and services alone won't guarantee the success. The small business entrepreneur also must know how to market, package, manage and finance that idea or product.

The SBDC's are an important vehicle to meet this need and also the need for technology transfer to small business. Small businesses need information about market opportunities, about how to reduce costs, about how to reach customers, price merchandise, develop and assess new products. They need help and assistance with financing, with legal problems, with managing wage and energy costs. They need assistance with regulatory problems, State, Federal, and local taxes, and they need counseling and training in methods of managing for greater effectiveness and efficiency. SBDC's are providing this assistance and making small business more viable and more productive. SBDC's are a valuable partner to small business.

The participating universities consider the SBDC an integral part of their educational programing mission to the citizens of their States. The State university program participants are committed to the concept and States have demonstrated this commitment both in terms of educational policy and by hard dollar support. The small business development center is a vital and strong link in a network of a Federal Government program, State universities, and private sector businesses, all of whose efforts benefit the Nation's overall economic and social well-being.

The need for a continued SBDC program might best be shown by a representative sampling of the data presented by SBDC witnesses testifying before the Committee as to their operations and accomplishments.

(1) UNIVERSITY OF GEORGIA SBDC PROGRAM

In 1977 the University System of Georgia was selected to manage one of the first eight Small Business Development Centers. Georgia provided $200,000 to be used with $40,000 of Federal funds to initiate the SBDC.

In Georgia, twelve district offices, each in cooperation with an institution of higher education, have been established and place SBDC services within a few miles of every business in Georgia. Keeping pace with demand has been difficult. Table I indicates that in-depth counseling cases (more than 12 hours) increased 160 percent over the past two years. Cases of six to twelve hours increased 231 percent, and short-term requests increased 60 percent. The demand curve has not begun to flatten. Preliminary analysis indicates an 88 percent increase in in-depth counseling for the first five months of calendar 1983 over the first five months of calendar 1982.

Table II reflects similar growth in participation in continuing education courses. The number of courses increased 90 percent over the past two years, from 294 to 562, and participation increased from 9,857 to 18,029, an increase of 83 percent. Experience for the first two quarters of 1983–84 reflects similar increases.

TABLE I.—INCREASES IN COUNSELING GEORGIA SBDC

[1980–81 through 1982–83]

	1980–81	1981–82		1982–83		
	Number of cases	Number of cases	Percent change	Number of cases	Percent change	
					Prior years	2 years
In-depth cases (over 12 hrs.)	300	550	+83	780	+42	+160
Less than in-depth (6–12 hrs.)	800	1,339	+67	2,650	+98	+231
Requests for information (1–6 hrs.)	2,000	2,111	+6	3,200	+52	+60
	3,100	4,000	+29	6,630	+67	+114

TABLE II.—INCREASES IN CONTINUING EDUCATION COURSES, GEORGIA SBDC

[1980–81 through 1982–83]

	1980–81	1981–82		1982–83		
	Number	Number	Percent change	Number	Percent change	
					Prior year	2 years
Courses	294	351	+19	562	+60	+90
Participants	9,857	13,152	+33	18,029	+37	+83

The same impact study was conducted by nine other mature SBDC's. The study reflects greater impacts in these nine states than in Georgia alone. Return of Federal dollars on all expenditures from only 30 percent of the SBDC's activities was $9.40 per dollar expended; for states the return was $12.50 per dollar spent.

Impact Study Performance in 1981–82 of the Clients Provided In-Depth Counseling in 1980–81 (9 States)

TABLE 1.—COMPARISON OF CHANGES IN SALES, EMPLOYMENT AND PROFITS WITH AVERAGE PERCENT CHANGE OF ALL BUSINESS IN STATES STUDIED (NINE STATES) [1]

	Average percent net change—SBDC clients [2] over all business	Dollar net increase SBDC clients over all business
Sales	+25	$705,571,000
Employment	+23	[3] 12,757
Profits	+83	107,782,000

[1] Alabama, Florida, Georgia, Massachusetts, Nebraska, Pennsylvania, South Carolina, Utah, Washington.
[2] 8,859 clients were counseled.
[3] New jobs.

TABLE 2.—ADDITIONAL REVENUES GENERATED: STATE AND FEDERAL [1]

	Estimated tax revenues generated by counseling, 1981–82	Funds expended by SBDC for all programs,[2] 1980–81	Ratio: Revenues generated to funds expended
State	$31,430,000	$2,507,000	12.5 to 1
Federal	27,837,000	2,951,000	9.4 to 1
Totals	59,267,000	5,458,000	10.9 to 1

[1] Six states included Alabama, Florida, Georgia, South Carolina, Washington, Wisconsin.
[2] Funds were spent not only for counseling, but for hundreds of continuing education programs that reached tens of thousands of small businesses. Many special activities, such as international trade programs, minority programs, procurement programs and research, were supported by these funds.

In the fall of 1982, a method was devised at The University of Georgia that could be used by all SBDCs to determine the impact of their counseling on sales, profit, and employment. The methodology was applied to the 700 Georgia businesses counseled in 1980–81. Data were collected for sales, profit and employment after at least 12 months of operation subsequent to counseling.

The study for Georgia found that 75 percent of businesses increased their sales volumes; 67 percent increased profits; and 64 percent added employees or experienced no change in employment. State and local revenues were returned at a 14.9 to 1 ratio without taking into account the multiplier effect, and this return resulted from the counseling activity only which represented no more than 30 percent of the total program activity. Federal revenues were generated at the rate of $7.33 for each Federal dollar spent.

The Georgia SBDC includes the State Office of Minority Business Development (OMBD). This office serves as an advocate within the SBDC. As well as generating special programs, 24 percent of counseling cases in 1983–83 were for minority businesses, although only seven percent of the businesses in Georgia are minority owned.

Thirty (30) percent of the counseling cases were for women owned businesses. This percentage approximates the percentage of women owned businesses in the state. Thirty-three (33) percent of the participants in the 562 continuing education courses were women.

Seventy-two (72) continuing education courses designed specifically for minorities attracted 2,664 participants. An encouraging trend is the attendance of increasing numbers of minorities for the small business courses offered to the general public.

Another signficant activity of the OMBD is its work with two cities, Augusta and Macon, to put minority persons into business on a sound basis. Each community matches $50,000 of state funds annually through a challenge grant program.

The Georgia SBDC also has an International Trade Development Center (ITDC). It identifies small businesses that are not exporting but which have the potential and work with them to move into exporting. One hundred twenty-six (126) businesses were counseled and 580 business persons attended 17 seminars on international trade topics in 1982–83.

The model works. Of the 36 ITDC clients with measurable financial data, 86 percent reported that export sales had increased over the two year period since beginning ITDC consulting in 1981. Export sales for the group grew from $11.5 million before consultation to $21 million in 1983, two years later, for an increase of over $9.5 million or 84 percent. Of the 31 firms who reported increasing sales over the two year period, 22 of the firms had not exported prior to consultation with the ITDC. Two years later, these 22 firms reported export sales of $5.6 million.

If one can assume that the remaining clients of the ITDC had similar export experiences, export sales for clients served would have been over $56 million in 1981 and over $103 million in 1983.

(2) PENNSYLVANIA SBDC PROGRAM

The Pennsylvania Small Business Development Center Program is comprised of thirteen Centers located in colleges and universities around the Commonwealth. The participating institutions are

Bucknell University, Clarion University, Duquesne University, Gannon University, LaSalle College, Lehigh University, Pennsylvania State University, St. Francis College, Temple University, University of Pennsylvania, University of Pittsburh, University of Scranton, and Wilkes College. Funding of the Centers, as well as supervision of the activities, is coordinated by a state director whose office is located within the Entrepreneurial Center of the Wharton School at the University of Pennsyvlania. The thirteen Centers and their fifty-two outreach offices form a statewide resource system available to the 200,000 small businesses operating throughout the Commonwealth. The statewide distribution of the SBDCs enables each Center to focus on a specific region and to tailor its program delivery to the needs and interests of the area that it serves.

In 1982, the Pennsylvania SBDC provided management counseling to 2,800 small business owners. In 1983, this figure increased to 3,700. In 1982, the SBDC organized over 100 educational workshops which attracted more than 3,600 small business owners. In 1983, they offered training sessions that drew more than 5,900 attendees. Altogether, since the inception of the program in 1979, the Pennsylvania SBDC has served more than 22,500 small business clients in a counseling and training capacity.

The Commonwealth of Pennsylvania also provides substantial funding for the SBDC program. As the State's recognition of small business has increased over the last few years, so has its commitment to the SBDC. The 1984 appropriation for the program represented almost a three-fold increase over previous years, from $100,000 to $270,000. It is clear from this tangible demonstration of state support that the Center will play an increasingly integral part in Pennsylvania's small business initiatives.

Private sector involvement with the SBDC is an essential ingredient to the program's success. Not only are they used in a counseling and training capacity, but each SBDC maintains an Advisory Board made up primarily of private sector individuals who help guide the Center's own program development and ensure that it remains closely aligned to the needs of the business community. In turn, the SBDC is able to expand the potential market for private sector consultants and services by sensitizing their small business clients to the need for seeking expert advice and input when making management decisions.

Two studies were undertaken to facilitate an overall program review. The first study was a survey conducted by the Centers of clients served between October, 1979 and December, 1982. The survey revealed the following information:

Approximately 8,750 new jobs were created by Pennsylvania SBDC clients during the period 9/1/79–12/31/82. Using the Chase Econometric Model for the Commonwealth of Pennsylvania, it is estimated that 5,700 secondary or spinoff jobs were created as a result of job growth among SBDC clients.

An estimated 14,500 new jobs were opened up in the Commonwealth as a direct or indirect result of SBDC client growth subsequent to counseling.

Forty-six percent of the survey respondents experienced a profit increase after counseling by the Centers.

Forty-four percent saw an increase in sales.

Eighty-one percent of the respondents stated that they believed their relationship with the Centers was a valuable asset to their business.

Eighty-two percent indicated they would recommend the service to others.

A number of innovative programs have developed as a result of the SBDCs' unique opportunity to link with other university resources:

SBDC/Law School.—Small Business Legal Counseling Clinics have been established by two SBDCs. Utilizing third year law students under faculty supervision, the clinics offer free legal advice in non-litigious areas to small business clients. This program was highlighted by Chief Justice Warren Burger in his Year-End Report To The Judiciary as being "an innovative cooperative effort" that benefits both the small business community and the university law students.

SBDC/Engineeering School.—Instruction and assistance in computer-aided design and manufacturing (CAD/CAM) is available to SBDC clients in cooperation with the engineering schools of two universities. In addition, another SBDC has arranged for graduate engineering students to assist its clients with feasibility testing and product development in the high technology area.

SBDC/Business School.—Most of the SBDCs are located in their university's business school. This location allows them easy access to the resources and expertise within the various departments of the school. In particular, the SBDC utilized business faculty and students to provide management assistance and to perform client-related research on behalf of the center. In addition, the SBDC presence within the school provides business students with a firsthand opportunity to counsel small business owners and to observe the actual management process. In this way, the SBDC helps to develop a cadre of experienced young people educated in the values of private enterprise and entrepreneurship.

The State has recently undertaken an initiative to bring new technology to the marketplace through encouraging the growth of technology-based businesses. This initiative, known as the Ben Franklin Partnership Program, utilized the resources of the universities and the private sector to establish four regional Advanced Technology Centers. In cooperation with the Technology Centers, the SBDC's major function will be to provide capitalists and other financing sources, and to provide management assistance to new or expanding technology-based businesses.

In response to the specialized nature of the assistance that technology-based businesses require, the Pennsylvania SBDC has also embarked on a special initiative to assist this sector of the small business community. In a joint effort with the SBA's Office of Private Sector Initiative and the Northeast Tier Advanced Technology Center sponsored by Lehigh University, the Pennsylvania SBDC is developing a computer-based inventory of available technology-related resources and information within the State. This inventory will form the nucleus of an entire management information system

which will enable small advanced technology businesses to identify such things as: venture capital sources, new site locations, names of suppliers and buyers, and procurement and export opportunities. The management information system will be incorporated into the SBDC's existing services and a one-stop, total assistance program will then be available to small technology-based businesses around the state at their nearest SBDC location.

(3) UNIVERSITY OF WEST FLORIDA

The University of West Florida was only five years old when it began to seek additional methods to fulfill its charge to deliver public services and assist its small community. In January 1973, the University inaugurated an eight-workshop series in three locations of the Florida Panhandle.

This modest beginning showed a very strong need existed for small business management assistance and that the University had found a viable community service.

SBA was attracted by the success of the program and continued its support. The university was tendered a modest contract by SBA for Small Business Institute (SBI) activities in October of 1972; thus, small business assistance became formalized in the classroom and provided another consulting resource for the SBDC.

Workshop and individual counseling attendance continued to flourish until the fuel crisis of 1974. This problem was minimized by the development, production and airing of a 13-week television series written by SBDC staff and assisted by a cooperative television station in Mobile, Alabama, WALA-TV, whereby important parts of the SBDC program could be delivered to the people and help to conserve their automobile fuel.

At about the same time, in order to further serve the small business community, the SBDC established "mini-libraries" in very small communities. Also, there were established consulting centers and comprehensive libraries in larger Chambers of Commerce.

Progress continued as new workshops and publications were developed. Of special note was the development of a program called "Info-Bid," an automated system to match small contractors with government and private contracts and mail appropriate notices of IFB's. This service is augmented by a workshop on "How to Bid on Government Contracts and Others". This program has generated millions of dollars in contracts for the small contractor that otherwise would have been lost.

While the SBDC program was inordinately successful in a ten-country area of some 550,000 people, it was obvious that a statewide presence was needed. Consequently, following the formal declaration of The University of West Florida as an SBDC in 1976, efforts began to involve the entire state. Start up did not occur until Janury 1980 at which time it could be stated that management assistance. services were being delivered to small businesses from Pensacola to Key West. State funds to match Federal funds were slow in coming and for three years each university campus had to generate matching funds at the expense of other campus programs.

During the developmental and subsequent phases of the SBDC, great care was exercised not to encroach upon the very people to be

helped, the small professional firm. This has been unusually successful with client referrals coming from professional management consultants, attorneys, banks, accountants, and other professionals. The principal thrust of the SBDC is to educate—not merely deliver services. Once the professional community ascertained this, there was no reluctance on their part to cooperate fully.

SBDC's coordinate and cooperate with literally scores of government and private sector organizations. The resulting infrastructure of cooperation strengthens the program immensely. One such national body is The Young Lawyers Division of the American Bar Association who, in cooperation with Florida SBDC's, produce an excellent reference guide.

A study spanning five years of some 200 SBDC clients who received long term counseling (more than 12 hours) in two counties of the Florida Panhandle was conducted in 1981. It was determined that the failure rate for this group of businesses was not 66⅔ percent as SBA reports the national five-year failure performance to be, but approximately 12.4 percent.

In terms of the program's ability to produce intended results, several convincing examples are available:

(a) In 1981 the Florida Advisory Council on Intergovernmental Relations (ACIR) (composed of some 12 state senators, legislators, mayors and management personnel from over the state) stated after an on-site review of the University of West Florida SBDC: ". . . the Small Business Development Centers represent Florida's best opportunity not only to curb the failure rate of the small firm, but also to provide the means by which a stronger, more diversified economy may be obtained".

(b) Employment by SBDC clients increased at a rate of 48 percent as compared to 5 percent for all Florida businesses.

(c) Profits increased for SBDC clients at a rate of 175 percent as compared to 18 percent for all Florida businesses. Since most SBDC clients start with small employment and small profits, one may expect such dramatic gains.

(d) Increases in sales, profits and employment result in additional revenues to units of government:

IMPACT OF SBDC COUNSELING IN FLORIDA ON GOVERNMENT REVENUES, 1981–82

[Estimated tax revenues generated by increased sales, employment and profits]

	Estimated tax revenue increase in 1981–82	Funds expended by SBDC 1981–82	Ratio: Benefits to cost
State	$11,270,456	$960,252	11.74
Federal	15,148,123	808,861	18.73
Total	26,418,579	1,769,113	14.93

Statistics on 1983 Federal dollars expended per client/hour of management assistance in Florida are most attractive: $10.66 compared to $10.48 for 1982. This represents 146,332 client/hours of management assistance divided into total Federal funds of $1,559,224.

Program demand continues to grow as is shown by the following table which is comparison of 1981, 1982 and 1983 services delivered and funds expended.

HISTORICAL DATA

[Services provided period of December 16, 1980 through December 31, 1983]

Deliverable	Dec. 16, 1980 to Dec. 31, 1981	Jan. 1, 1982 to Dec. 31, 1982	Jan. 1, 1983 to Dec. 31, 1983	1983 percent of increase over 1982
I. Counseling:				
Inquiries [1]	24,095	36,748	74,293	108
Short term	3,794	7,015	8,624	23
Long term (12 or more hours)	627	647	694	8
Minorities		1,416	1,632	16
Exporters		93	63	−33
Total hours	43,601	55,888	58,632	5
II. Training programs:				
Workshops	84	97	98	1
Courses	42	57	70	23
Conferences	175	263	364	39
Veteran attendees			4,047	
Minority attendees		1,320	2,428	84
Exporter attendees		664	868	31
Total number of attendees	8,993	11,788	17,656	50
Total training hours (Lecture time x attendees)	55,290	63,369	87,700	39
Actual lecture hours			2,605	
III. Speaking engagements [1]	181	206	260	27
Attendees	5,258	7,679	10,477	37
IV. Federal funds expended	$923,486	$1,249,516	$1,559,224	25
V. Federal cost per hour of assistance	$9.34	$10.48	$10.66	2

[1] Not included in cost figures.

There were 50 percent more attendees at training programs in 1983 than 1982 and 39 percent more attendee training hours delivered. There was 37 percent more attendance at 27 percent more speaking engagements. And the Federal cost per hour of assistance rose only 2 percent. (Neither the amount of inquiries which increased 108 percent nor the speaking engagement figures are included in Federal cost per hour calculations.).

(4) WASHINGTON STATE UNIVERSITY SBDC PROGRAM

The Washington State University SBDC first became operational in August 1976. It preceded the Federal program, and joined the SBA's SBDC network in 1979. It is also a university EDA center and has a memorandum of agreement with SBA's Service Corps of Retired Executives (SCORE) in the State of Washington. This memorandum of agreement has been used by four other States as a model. Within the State of Washington, it is not exclusively a university-based network. It has branch offices and participating institutions.

During the last seven years the center has worked to assist a wide variety of State businesses. A broad network of private-sector and public-sector relationships has been formed. This includes chambers of commerce and a wide range of associations, banking and attorney groups, patent groups, etc. Its delivery system has had access to the public sector and its kind of skills and resources.

Many small businesses are not in a position to afford the kind of linkages that the SBDC is capable of delivering. The services pro-

vided through the Washington system target four areas. First, pragmatic one-on-one counseling. It is very important to have a resource base that understands what small business is dealing with.

Second, research into technical and general small business problems is a very important contribution of the small business development center, not only in the State of Washington, but nationally. Third, educational programs geared to the needs and interests of small business. The SBDC does an annual needs assessment survey working with chambers of commerce, junior colleges, port districts, economic development councils, and the like to develop its training program, targeted to the needs of the local level.

Finally, the small business sector is the single-most-important contributor to innovation in the marketplace in development of new technology. Also, it has an innovation assessment center to develop processes that enable small businesses to transfer technology into the marketplace.

There is an element within the organizational structure of Washington State University which is important and somewhat unique. taking services to the marketplace. Most of the outreach offices of the SBDC are in rented office space located within the business communities, and staffed by full-time professionals.

The counseling system throughout the State of Washington is comprised of full-time professionals. These individuals must have successfully owned or operated one or more small businesses and must have small business consulting experience. A master's degree in an appropriate field is preferred. At least five years of experience in either the manufacturing or engineering sector is required.

Graduate students, students, and faculty of participating institutions are also important contributors. One of the successful programs utilizes the export area expertise of a faculty member at Washington State University who coordinates studies through his classrooms to benefit SBDC clients. The center doesn't have to pay for this "public" resource.

However, the Washington SBDC considers private sector consultants crucial to the organizational objectives. It has devoted a significant amount of effort to utilizing private sector resources, both in the counseling and research areas as well as training.

In six years, this SBDC has served over 5,000 clients; and most of these, 77 percent, have annual sales of less than $500,000. The SBDC provides a research service mix to the State of Washington. A good example of this would be in the areas of coastal marine fisheries, and recreational fisheries. Economic overview projects have helped some 4,000 businesses in the State of Washington to become more effective.

In the training area, over 7,000 people have attended various training programs, such as accounting, finance, general management, and marketing.

During 1981 and 1982 over 2,700 man-hours of resources were donated to the SBDC from the private sector—banks, real estate, general management, advertising CPA firms, legal firms, engineering, and insurance firms. In the training areas, nearly 50 percent of all the training conducted by the SBDC was done by private sector consultants.

The SBA standard operating procedure for the SBDC program does not require SBDC's to provide economic impact data. Nevertheless, the SBDC is proud of its impact on the State economy and had compiled impressive data. Within Washington State over the last 6½ years, almost 6,000 jobs have been saved or created through SBDC activities.

Almost $447 million in investment capital has been generated; 557 new jobs were created last year alone through the expansion of existing firms in a recessionary period.

Based on the Washington State department of revenue data, the SBDC has contributed $134.4 million of personal income to State residents over the 6½ years. Almost $9.2 million in State general revenues have been generated. In addition, job-related activities have produced $4.7 million in other State and local taxes.

The total estimated tax impact as a result of SBDC activities within Washington State, as of the end of 1982, is slightly over $13.9 million, a ratio of 9.8 to 1, for every State dollar expended. Total Federal and state governmental expenditures have been $2.9 million over the same period.

(5) MASSACHUSETTS SBDC PROGRAM

The Massachusetts SBDC is a consortium of both public and private universities with the University of Massachusetts/Amherst School of Management as the lead institution. Other members of this consortium are Boston College, University of Lowell, Southeastern Massachusetts University, Clark University, Worcester Polytechnic Institute and Roxbury Community College.

The Massachusetts SBDC has evolved into a regional network of centers with the University of Massachusetts sponsoring the Central Administration Unit, the Western Massachusetts Regional Office, and a statewide Capital Formation Specialty Center. The University of Massachusetts then contracts with the above mentioned institutions to provide SBDC services in their respective regions and specialized statewide services. The services of the SBDC are easily accessible to all small businesses of the Commonwealth.

The Massachusetts Small Business Development Center program, since its inception in 1980, has established its program on two basic premises. The first is to develop a partnership between Federal, State and local governments, the adademic community and the private sector. Second, to act as a focal point of resources and services to enhance this partnership's role as a catalyst for small business development, growth and stabilization.

The first partner is government, the Federal government through SBA, and the Commonwealth of Massachusetts through the Department of Commerce, which provides funding to the SBDC. A cooperative relationship has been developed which provides a variety of Federal and State financing programs, procurement programs and expert advice.

The second partner is the participating academic institutions. The resources available from the academic institution clearly upgrade the level of sophistication of assistance and allow a counselor to take a client that necessary extra step to insure results. Faculty expertise, current research and literature, computer access and ex-

pertise, and senior and masters level students to undertake tailor-made research for individual clients, all at the fingertips of a SBDC, provide a resource that is virtually impossible to obtain from any one source. Providing these resources in an effective manner to small business is a critical commitment of a participating academic institution.

The third partner is the private sector. The Massachusetts SBDC has actively courted the support of the private sector which possesses business expertise and links the small business community.

The SBDC has established both statewide and regional advisory councils to insure its program is responsive not only to the state as a whole, but to any unique situation arising within a particular region.

Aside from program development issues, the members of the Center's advisory council play a key role in opening new doors of opportunity, whether they be a trade association, a bank, or a private financing source.

In addition to the work of the advisory council, other private sector concerns have proved to be an invaluable resource for educational and training offerings. The enthusiastic response from lawyers, accountants, business owners, bankers and consultants, to conduct a workshop or participate on a panel, in many cases *pro bono*, has resulted in more than 75 percent of the training programs involving private sector presentors.

In an effort to address the needs of the Athol/Orange area of Massachusetts, one of approximately six areas experiencing an unemployment rate more than double the state average and to begin the revitalization process, the Massachusetts Department of Commerce developed a far reaching economic development plan. This area is characterized by vacant manufacturing facilities; a depressed downtown area and looms under the constant threat of more jobs lost as the mature, more traditional industries in the area reassess their shrinking markets. The various pieces of this plan include the strengthening of the existing economic base, an aggressive marketing campaign to attract new industry to the area, better transportation facilities and the development of strong local commitment to ensure success.

Within the first phase of this plan, the Massachusetts Center has been called upon by the Commerce Department to work with the existing small businesses in an effort to stabilize the erosion of the economic growth.

The SBDC has met this challenge by placing the Director of its Western Regional Office in this area every Wednesday since October to work with local officials, the banks, existing small businesses and entrepreneurs with new small business ideas.

Local officials have credited the SBDC with the stabilization and expansion of at least twelve businesses which, at a minimum, jobs have been retained which would have potentially been lost and, in fact, a modest number of new jobs have been created.

Another SBDC resource has provided direct assistance to one of the first tenants of the area's new industrial park by working with the client and officials on a very intricate lease agreement. This included assisting the client and a local bank in developing a finan-

cial package which is close to being consummated. One of the SBDC loan programs will likely be part of this package.

These examples show how the Massachusetts SBDC's partnership and serving a focal point for resources, when brought into a situation such as Athol/Orange area, can be one of the most effective tools to service small business and economic development.

During the forty-two months of its existence, the Massachusetts SBDC has assisted over 4,300 clients and has provided training programs attracting over 8,500 participants. It has conducted two impact surveys covering 1980 through 1981 and 1981 through 1982. The survey asked those clients who received five or more hours of counseling and whose case had been closed for at least twelve months what impact the SBDC assistance had on their gross sales, profit and employment.

The results of these surveys are shown in the following two impact surveys which clearly indicate the very positive effects that an SBDC can have on its small business constituency, the state, and the nation in creating an atmosphere for business development and growth.

IMPACT SURVEY—1980–81

TABLE 1.—PROGRAM IMPACT ON CLIENT OPERATIONS

	Percent improved
Gross sales	87
Profit	51
Employees	39

TABLE 2.—CLIENT PERCENT CHANGE IN SALES, EMPLOYMENT, PROFITS [1]

	Average percent change	
	SBDC clients sample (N=55)	All Massachusetts small businesses
Sales	+20	
Employment	+12	−.3
Profits	+69	

[1] All figures in the survey are net (both positive and negative responses are used).

TABLE 3.—CLIENT INCREMENTAL AND AGGREGATE CHANGES IN SALES, EMPLOYMENT, PROFITS

	Average incremental absolute change for SBDC clients	Average change for full year of clients (N=169) [1]
Sales	$104,019	$17,579,211
Employment	1.5	254
Profit	$5,694	$962,286

[1] Clients who have received 5 or more SBDC counseling hours.

TABLE 4.—INCREMENTAL CHANGE IN TAX REVENUES OF MASSACHUSETTS

	Average change	Aggregate change (N = 169)
Sales Tax (Average incremental change in sales times 5 percent. Sales tax for most of period in consideration) times 66 percent firms subject to tax	3,433	$580,114
Personal income tax (Average incremental change in employees times 934)	1,401	237,236
Corporate income tax (Average incremental change in profits times Massachusetts' effective corporate tax rate: 9.9 percent)	564	95,266

TABLE 5.—IMPACT OF SBDC COUNSELING IN MASSACHUSETTS ON GOVERNMENT REVENUES, 1980–81

[Estimated tax revenues generated by increased sales, employment, and profits]

	Estimated tax revenues	Funds expended by SBDC for counseling [1] (1980–81)	Ratio: Benefits to cost
State	$912,616	$72,181	12.6:1
Federal [2]	563,372	144,435	3.9:1
Total	1,475,988	216,616	6.8:1

[1] Minus 20 percent which was expended for training purposes.
[2] Federal equals median income tax ($2,218) times employment increase.

Impact Survey—1981–82

TABLE 1.—PROGRAM IMPACT ON CLIENT OPERATIONS

	Percent improved
Gross sales	62
Profit	56
Employees	35

TABLE 2.—CLIENT PERCENT CHANGE IN SALES, EMPLOYMENT, PROFITS [1]

	Average percent change	
	SBDC clients sample (N = 82)	All Massachusetts small businesses
Sales	+11.5	
Employment	+31.3	−2.2
Profits	+119.7	

[1] All figures in the survey are net (both positive and negative responses are used).

TABLE 3.—CLIENT INCREMENTAL AND AGGREGATE CHANGES IN SALES, EMPLOYMENT, PROFITS

	Average incremental absolute change for SBDC clients	Average change for full year of clients (N=732) [1]
Sales	$71,589	$52,403,148
Employment	2.9	2,123
Profit	$19,420	$14,215,440

[1] Clients who have received 5 or more SBDC counseling hours.

TABLE 4.—INCREMENTAL CHANGE IN TAX REVENUES OF MASSACHUSETTS

	Average change	Aggregate change (N=732)
Sales tax (Average incremental change in sales times 5 percent: Sales tax for most of period in consideration) times 66 percent firms subject to tax	2,362	$1,729,304
Personal income tax (Average incremental change in employees times 934)	2,709	1,982,882
Corporate income tax (Average incremental change in profits times Massachusetts' effective corporate tax rate: 9.9 percent)	1,923	1,407,329

TABLE 5.—IMPACT OF SBDC COUNSELING IN MASSACHUSETTS ON GOVERNMENT REVENUES, 1981–82

[Estimated tax revenues generated by increased sales, employment, and profits]

	Estimated tax revenues	Funds expended by SBDC for counseling [1] (1981–82)	Ratio: Benefits to cost
State	$5,119,515	$165,435	30.9:1
Federal [2]	4,708,814	330,871	14.2:1
Total	9,828,329	496,306	19.8:1

[1] Minus 20 percent which was expended for training purposes.
[2] Federal equals median income tax ($2,218) times employment increase.

Term of SBDC Grants

During its review of the SBDC program the Committee learned that approximately one-half of the centers had contracts with the SBA which run on a full calendar year basis. Federal government programs are normally based on fiscal years. The Committee desires that schools be eligible at any time to enter an SBDC contract. A key element of eligibility is the matching funds requirement and due to budget cycles and accounting procedures in effect in some States and at some universities, having two alternative funding cycles should facilitate state budgeting and provide more uniformity in administration of the program.

The SBA agrees with establishment of two uniform contract renewal cycles for SBDCs coinciding with the calendar year and the Federal fiscal year. New entrants would be funded immediately upon approval of their application. The term of the SBDC's contract would then be set to coincide with either the calendar or fiscal year during future funding arrangements.

State/Federal Matching Funds

It should emphasized that in establishing the SBDC program, Congress was very specific in describing the staffing requirements. Such specificity was for a good purpose. Congress recognized that a participating educational institution incurs a very real cost in salary and wages which is considered a part of the non-federal match to the program. It is the intention of the Congress that people be employed full-time to operate the centers and that these people have private sector business experience and sensitivity to the unique needs of small business. The SBDC staff is to make certain, and SBA is to insure, that the SBDC program emphasis and focus is placed on providing help to small business concerns and not on providing a forum for university experimentation.

The Committee appreciates the fact that the SBDC program has been primarily university-based and that this has provided access to a very large resource base, without which the concept probably would not work. The original SBDC concept depended upon a leveraging of these resources to provide the best possible, most cost-effective delivery of management assistance service.

Public Law 96–302 requires each SBDC to provide matching funds derived exclusively from non-federal sources, in an amount equal to the federal award. The non-federal match in the program has been comprised of financial support from the states, participating institutions, local grants, and the private sector. This financial support has provided increased operating funds for the SBDCs, and demonstrated the commitment of the contributing partners to the SBDC. In many cases, the educational institutions which sponsor the SBDC provide direct matching funds to the program by the payment of salaries. University personnel who work for the SDBCs by performing one-on-one consulting, training of small business clients, related research activities or feasibility studies, or who provide services necessary to the supervision, administration or general objectives of the program are paid directly by the institution. These people work under the direction of the full-time SBCD director and both the time they have spent in the performance of their tasks and the results of their work is fully auditable.

The continued effectiveness of the overall SBDC program will require that university personnel be encoruaged to participate in the delivery of services. The expertise and state-of-the-art knowledge which they bring to the small business client is invaluable.

Again, the success of the SBDC program lies in its ability to leverage resources. Many of the SBDCs, although they are managed by a full-time director and a skeletal staff, rely excessively on part-time employees. These part-time consultants, educators, and researchers come from the private sector as well as from the educational institutions. Many are knowledgeable, highly respected members of their profession whether it be accounting, legal, engineering, etc., who work for the SBDC part-time and thus provide a special level of expertise that could not be afforded on a full-time basis.

Nevertheless, in keeping with the Committee's original management philosophy for the SBDC program, full-time hands-on counseling availability must be the cornerstone. There must be a full-

time staff director to manage program activities, including budget matters. Further staffing should be in keeping with the SBDC plan for the given entity and its client needs. The emphasis must be on an established counseling service and the program must not be dominated by part-time workers whose primary allegiance and dedication is to other employment. This limitation on reliance of part-time workers can be accomplished by limiting the amount of part-time salaries eligible to match Federal funds to an amount not to exceed full-time salaries used for match purposes. This requirement could be phased in, thereby not affecting contracts before January 1, 1985.

State Plan

As an integral part of the SBCD program, the establishing legislation gave the principal management and administrative responsibilities associated with the program to the participating States. States were required to submit a plan to SBA for approval which specifies: those State agencies, universities and colleges that would participate in the center program, operating budgets, services to be provided and methods of delivery, areas of coverage and other administrative details, i.e, coordination of center activities and services was to be the primary responsibility of the States.

This system was established under Section 21(b)(1) of the Act which provides: "During fiscal years 1981, 1982, and 1983, financial assistance shall not be made available to any applicant if approving such assistance would be inconsistent with a plan for the area involved which has been adopted by an agency recognized by the State government as authorized to do so and approved by the Administration in accordance with the standards and requirements established (as follows) . . ."

It is therefore necessary to extend this "sunset" or expired provision to continue its effect for the reauthorized SBDC program.

Small Business Problems

Small Business Problems are of critical importance to the Nation because of the central role small business will play in the creation of new products and in the generation of new jobs in the 1980s and beyond. No longer are the giants of manufacturing and mining providing the millions of jobs necessary to employ our youth. Stiff foreign competition and technological advances are reducing employment in many of our basic manufacturing and mining industries. State and local governments provided millions of new jobs in the postwar decades in order to meet the growing demand for public services. Declining school enrollment and other factors are now limiting the growth of jobs in the public sector. As a consequence, the burden of generating millions of new jobs in the 1980s and beyond falls disproportionately on the small business sector. In order to facilitate the job generation process, we must create an economic environment in which small businesses can flourish.

There is concern that our economy will not be able to generate enough new jobs in the coming decades. The rate of job generation has fallen by one-half since the late 70s. This means that five to six

million fewer jobs will be created from 1981 thorough 1984 than in the previous four years.

This Committee also has a special interest in minority small businesses. When the small business sector is threatend by an adverse economic climate, the minority small business sector is uniquely imperiled. Even though minorities comprise 20 percent of all Americans, little more than one-half of one percent of total business receipts are generated by minority small businesses. An economic environment in which minority firms can grow and prosper must be created.

Real interest rates on small business loans remain near the record set in 1982. On short-term bank loans, small businesses are paying 8 to 11 pecentage points above the rate of inflation. In post World War II period, real interest rates for small businesses averaged about 3 percentage points above inflation. A continuation of real interest rates of this magnitude—8 to 11 percent—is likely to have serious deterimental effects on the welfare of small businesses and on their ability to generate new jobs for the 1980s and beyond.

Furthermore, the recent, sharp rise in the value of the dollar has had negative effects on small businesses. The subsequent fall in agricultural exports has not only harmed family farmers, but also the thousands of small businesses in rural America that serve farmers. In addition, a strong dollar has meant that small manufacturers face stiff competition from artificially cheap imported goods. Moreover, the trade deficits resulting from the strong dollar slow U.S. economic growth and further hinder the ability of small businesses to grow and generate jobs.

Additionally, smaller firms experience difficulty in increasing their sales in foreign markets, which in turn exacerbates America's trade deficit problem.

Testimony from small business owners and managers blame these statistical declines on: increasing Federal, State and local regulatory burdens, continuing economic uncertainty coupled with inflationary pressures and high cost of money, lack of easily accessible and sophisticated management counseling, energy shortages, tax disadvantages and inequities, increasing industrial concentration, foreign competition, and rapidly advancing technology.

All businesses, large and small, face these problems. However, for small firms which lack the resources of a large corporation's sophisticated in-house specialists in law, accouting, finance, and marketing, the problems are more acute. These same small firms are also economically unable to retain expensive outside consultants. The Small Business Administration's limited personnel are not a viable source of management or technical assistance nationwide. The majority of SBA's resources are employed to assist those companies who are client-borrowers. The SBDC's are designed to fill this management and technical assistance gap by furnishing independent, local small business firms with locally available, expert resources to help them with a multiplicity of diverse business problems. These services are academic community, private consulting groups and firms, and private research laboratories and organizations located throughout each State.

The development center concept did not originate in Washington, D.C. Instead, farsighted venture capital managers, small business

individuals and associations, and private management consultants recognized that basic, fundamental small business management and technical needs were not being met by either the public or private sectors. Collaborating with leaders in the academic community, educational institutions were persuaded to mobilize their resources to provide assistance. Colleges and universities established and operated the first centers with minimal budgets funded by Federal, State, and local governments, regional commissions, large corporations, and private foundations. The focus of each center varied from State to State, but gradually evolved to provide a broad range of services by coupling the resources of the participating schools with existing publicly and privately sponsored programs.

As the centers became more involved with the entrepreneur's needs they expanded their services and thereby encountered funding limitations. Financial assistance from SBA was used to provide seed money for eight centers in seven States on a pilot project basis. SBA's grants, however, covered only a very small portion of each center's actual and projected operating costs.

Congress decided the development program had the greatest potential for delivering management and technical assistance to the largest number of small businesses in the most efficient and simplest manner possible.

Accordingly, Congress acted to expand the pilot program into a meaningful test; to provide sufficient funds for establishing and operating state-wide centers that will utilize satellite locations and an extension service means of delivery; to provide specific program objectives and guidelines; to provide for adequate resources to assure that all types of small business management and technical problems will be addressed thoroughly and in a timely fashion; and to provide a mechanism to evaluate the program's effect on the small business sector. Thereby small businesses would receive counseling; jobs would be created or saved; small businesses would show significant improvement in sales and profits; and persons annually would attend seminars and workshops sponsored by the centers. Congress saw the cost effectiveness of these anticipated results and expected that the State centers would have a highly beneficial effect on American small businesses, paralleling the highly successful agricultural programs which, since the 1860s, have helped to make this country's farmers the most efficient and productive in the world.

Congress intended the SBDC program to have a stong centralized management structure. To assure this an unprecedented step was taken: Congress created a statutory, independent program head at agency headquarters with statutory line responsibilities. To manage the program, the Act requires the Small Business administration to appoint a Deptury Associated Administrator for Management Assistance whose sole responsibility will be to manage, with the advice of the Advisory Board, the small business development center program.

To assist the Deputy Associate Administrator for Management Assistance in carrying out the duties of that office, the Act established a Natural Small Business Development Center Advisory Board of 9 members (6 from small business and 3 from academia) as well as local advisory boards for each SBDC.

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Congress intended these boards to provide a voice and a measure of control over program policy and administration through having local views regarding the policies and management of such centers.

SBA was directed to work in close partnership with both the independent business and academic Board representatives in establishing and implementing program policies and procedures.

Therefore, the Congress set, by law, a clear pattern for the management of the SBDC program through the Deputy Associate with local policy input from the advisory board.

It is the intent of Congress, that the Deputy Associate Administrator for Management Assistance, provide the leadership and management needed to assure the uniform growth and efficient and effective operation of the SBDC program.

Partnership Roles in Delivery of Service

The Committee has recieved testimony which indicates that the relationship between the local offices of SBA and the SBDC is not always what it should be. The Committee believes that it is necessary to state clearly a basic program concept: establishment of a working partnership between the Administration and the organizational entity which establishes and operates a Small Business Development Center.

The Administration has designated the District Director as the person responsible for providing management assistance services to the small business community within a defined geographical area. The contractual document between the Administration and the Small Business Development Center is a cooperative agreement. This expresses the type of relationship that should exist between the Small Business Development Centers and the District Offices of the Agency. Indeed, the Committee has found that in both testimony and in examination of Small Business Development Centers currently operating, the effectiveness of the Administration's District Office and the cooperative nature of its relationship with the Small Business Development Center has enhanced the range of services being offered to the community both serve.

Every effort should be made to resolve problems and misunderstandings between the SBDC and the District Office at the District Office level. In the event that problems cannot be resolved at the district office level or at the next highest Administration level in the field (Regional Office level) on a timely basis, the SBDC Director has the right to appeal directly to the Deputy Associate Administrator for Small Business Development Centers in the Central Office to resolve the problem. However, the Committee wants to express its support for and encourage the resolution of problems occurring in the Small Business Development Center Program at the most local level possible.

Access to SBDC Facilities

When the Congress established the SBDC program it was envisioned that management and technical assistance would be provided small concerns through an extension-style delivery system utilizing resources of the academic community and public and private organizations throughout each State.

The Committee wants to insure that university-based SBDCs do not concentrate their resources only at the campus. The SBDC is viewed as a combination of branch offices and university facilities. SBDC branches may be housed in rented office space within community districts and staffed by full-time professionals. The administrative offices of the program and its directors might be housed in university, on-campus facilities. And of course, certain technology assistance and lab functions would be located at campus facilities. This legislation stresses that face-to-face initial meetings and SBDC program outreach, insofar as is possible, should be set up in such places as shall provide maximum accessibility and benefits to the small business community.

As a program philosophy, this approach facilitates the delivery of services by allowing the client to receive services in familiar surroundings—the business environment. This approach creates increased credibility and acceptance from small concern clients.

Program Oversight and Reports to Congress

The oversight process for SBDC program evaluation which has been conducted since October 1982 includes two SBA comissioned studies, the impact survey conducted by the SBDC under the direction of Dean William Flewellen of Georgia, as well as extensive Congressional oversight. A sunset provision has proved to be an effective monitoring vehicle.

The Association of Small Business Development Centers supports the Committee's establishment of an on-site biannual review system of SBDCs which will be conducted jointly by the Administration and SBDCs. Establishing the guidelines for such a review has concerned the Association's Committee on Standards and Evaluation which has created a process to evaluate thoroughly an SBDC. The Association, as part of its mandate, has encouraged and facilitated the exchange of programs, operation procedures, etc. among SBDCs. New centers are encouraged to visit established SBDCs to view first hand the operation of an SBDC.

If the biannual review process can be conducted with teams made up of the Administration personnel, SBDC directors, university officials and/or private sector advisory board members, such a peer review will be thorough and effective, and will insure that weak programs can be strengthened, strong programs can be made even stronger, and programs which are not meeting the established standards will be reorganized or eliminated. The Association is committed to making the program second to none in its ability to deliver quality services to small business.

SBA expressed concern with any additional cost this requirement would impose on the program's budget. The Committee does not share the concern. There might be no additional cost involved as this provision is simply a substitute for the present provision which authorizes an independent evaluation. In addition, peer participation in the review process provides a valuable insight not available solely to SBA personnel and thus makes program delivery even more cost effective. The bill provides for the necessary "peer review" and provides authorization for reimbursement to the SBDC's for their participation.

SBDC Management Information System

The Committee has decided that the SBDC Management Information System should remain with a private contractor through October 1, 1986. It is recognized that throughout this oversight process on the pilot program the ability to obtain factual historical data in a timely fashion has assisted immensely in analyzing the SBDCs. The present Cost Quality Quantitative Input System or CQQI is a valuable management tool which allows program managers to readily evaluate performance and coordinate activities.

The CQQI System is an oversight function and has proved valuable in its standardized approach to data collection. If this private contract were to be terminated at the end of the fiscal year, the program would be subjected to a new management information system as contemplated by the Agency. The Committee recognizes the Agency's effort to have all management assistance programs on the same system, but is very concerned lest such a changeover cause severe problems if implemented too rapidly.

The Committee is also concerned that the Administration may have already made the determination that their new system is "cost-effective." However, SBA is contracting for about $350,000 for the present service. If the Agency converts this "in-house", each Small Business Development Center will have to have a line connection, at a cost of $50,000 each. That is $1.5 million that SBDCs will have to spend, which the Federal Government is liable to have to match. This can result in wasting Federal dollars to say nothing of the fact that the State and local groups will have to be putting up more money as well.

Elimination of the current CQQI System would mean that new SBDCs would not have any means to track program performance, unless developed on their own, thus compromising standardization. The Agency has admitted that severe problems may result by trying to implement a system of this magnitude in such a short period of time. From first indication, the system is tracking less functions than that of the CQQI system.

The Committee is concerned about SBDC program disruption and believes the system should remain with a private contractor until such time as SBA has implemented fully its in-house management assistance system and a study is completed to insure that at a minimum the system proposed is as effective if not more indepth than the system now in place for SBDCs.

SBDC National Advisory Board

The Committee continues to believe it is necessary that expenses of the National Advisory Council be paid by the Federal government. This was the plan expressed in the original statutory framework P.L. 96-302. It is only reasonable and fair that this small group of private sector advisors, who are expected to donate their valuable time and considerable talents to the program be reimbursed for their actual expenses. Congress wants to insure an active Advisory Council and up-to-date private sector input as an integral part of the program.

The Administration's position is that the Small Business Development Center Advisory Board Members should be reimbursed

only for travel expenses. The current law requires Small Business Development Center Advisory Board Members to be compensated at the GS–18 rate for each day they are engaged in board activities. It may be that SBA policy for its other advisory boards has been that reimbursement will be provided for expenses in connection with travel activities only. The cost of full reimbursement, due to the small size of the Board, is minimal and the benefits large. Thus, the Committee believes that its statutory provision for compensation for Board members must be followed.

What the Bill Will Do

The Small Business Administration's Small Business Development Center Program now set to terminate at the end of this calendar year would be extended for approximately four years, but again sunset at the end of fiscal year 1988.

The bill also would authorize the appropriation of such sums as might be necessary to carry out the Federal share of this matching funds program and to pay National Advisory Board expenses and also management information and evaluation expenses. The bill would not change the existing SBDC program level set by the Small Business Act at $65 million. This limit contemplates the program as fully-implemented nation-wide when the remaining nineteen states are brought into the program.

In addition, the bill would adopt several programmatic changes to improve SBDC services and expand management assistance and technology transfer benefits to small concerns throughout the country.

The bill would require that the term of any contract for grants under the SBDC program be made either on a calendar year basis or to coincide with the Federal fiscal year.

The bill would limit the amount of part-time SBDC employee salaries eligible for purposes of calculating SBA matching funds to no more than the amount paid to full-time employees and used for match purposes. A full-time staff director would also be required. This new match requirement would not be effective until January 1, 1985.

The bill would continue to provide for State/Federal planning cooperation by reinstatement of a sunset statutory requirement that any application for an SBDC grant conform to a State plan if one has been adopted. This would permit each state to determine the exact operating characteristics which best suit the needs of its small business community.

The bill would clarify Congressional intent that the SBDC program establishes an equal partnership between the SBA and the SBDC for the delivery of services to the small businesses.

The bill would provide that each intake center, i.e., those sites where the SBDC actually meets with the small business clients, be located in easily accessible facilities such as storefront offices.

Finally, the bill would help assure effective program oversight by eliminating the present reporting requirement and substituting a provision requiring that by January 1, 1985, SBA develop a proposal for biannual on-site evaluation of each SBDC with the assistance of at least one other SBDC; and by requiring SBDC management

information system services to continue to be provided by contract through outside expertise through October 1, 1986, until SBA's proposed system is safely functional and demonstrated to be cost effective.

Conclusion

The small business community and the Nation are greatly troubled by our national economic dilemma. Unemployment has hovered between 6 percent and 7 percent even in the past few years and surpassed 10 percent during the past recession. Small business is the prime job-creating force in the economy. About 60 percent of all jobs in the U.S. are generated by firms with 20 or fewer employees and about 50 percent created by independent, small entrepreneurs so that the national economic development policy must stimulate job growth and must understand the reality that this can best be accomplished by our small business community. Innovation has been lagging in the United States yet small business is the most effective source of innovation in the economy.

The rate of American productivity improvement has declined to near zero but it is apparent that small business productivity is higher than that of big business. A loss of competitiveness could be an economic disaster. Everything possible should be done to encourage productivity, lest Germany and Japan overtake the U.S. in the mid 80's. Small business is the key to competition and therefore, increasing our productivity.

Congress recognizes that small businesses create the great majority of jobs in this country. A recent study by the Bureau of Business Research at the University of Wisconsin-Madison School of Business is revealing. From 1973 to 1978, the study shows, larger manufacturers in Wisconsin cut 9,300 jobs; smaller manufacturers, meanwhile, were creating 46,000 jobs. Small business was expecially hard hit by the most recent cycle of recession. The destructive impact of small business failure is felt not only buy individual owners and managers, but by thousands of persons whose jobs depend on small business. When a small business fails, existing jobs are lost and the potential for additional job creation is forfeited.

Because of lagging skills of small business the United States pays a heavy price (estimated at $4 billion annually) for the nearly 15 percent per year bankruptcy rate of small business. The Committee is convinced that training and counseling for the small business person lessens any such failure rate. Half of all new small businesses fail each year. But the failure rate of firms counseled by the SBDC is only one-tenth as high.

Congress is concerned with America's balance of payment problems and today's serious deficit position. Promotion of exports through SBDC assistance to small businesses who could be—but aren't—exporting will help greatly.

Congress is also concerned about increasing concentration in the American economy. The innovative, dynamic smaller firms are being crowded out by large public and private concerns. Small business will have to produce more to counter this trend.

This explains why in 1980 Congress established the program of Small Business Development Centers to provide management assistance, education, and research to the small business community.

The successful SBDC pilot program has proved that a statewide network of educational institutions, jointly funded by Federal and State dollars, offers the most cost-effective means of providing quality training and, particularly, long-term counseling to the small business client. By no other means can we as rapidly, as cheaply, and as effectively provide training and counseling where most small business clients reside.

By no other means can we mobilize so much legal, technical and professional small business help for small business clients in so short a time. By no other means can we offer small business people "big business-like" help at so small a cost. Linking university skills and resources to small business clients can produce results which are in the national interest.

The future need for SBDC services will expand beyond those services currently being provided. The United States is experiencing a major and irrevocable structural change in its economy. We are entering an era of high technology—personal computers, robotics, and telecommunications. Changes will be rapid and continual. Small business will need to understand and adjust to these changes.

The United States will see created in the coming high-techology environment new businesses, new technologies, and new ways of doing business. Small business will need to develop and adapt these skills in order to survive and flourish.

The importance of small business to the national economy will continue to grow. However, structural changes and the need to develop and employ new skills will require an expanded role for SBDC's and their linkages to both universities and vocational/training schools.

Small business in this country can provide jobs to get America back to work—to re-industrialize, to innovate, to increase productivity, to export. Small businesses can play a major role in this future if they develop and expand the skills needed to cope with change.

The Small Business Development Centers have a major role and deserve continued Congressional support for their assistance to small business.

Matters Required To Be Discussed Under House Rules

In compliance with clause 2(l)(2) of rule XI of the House of Representatives, the following statement is made relative to the vote on the motion to report H.R. 5334:

A majority of the Committee voted in person and was actually present and the motion was approved by a voice vote.

In compliance with clause 2(l)(3) of rule XI of the Rules of the House of Representatives, the following statements are made:

With regard to subdivision (A), relating to oversight findings, the Committee finds, in keeping with clause 2(b)(1) of rule X, that this legislation is in full compliance with the provision of this rule of the House which states:

> In addition, each such committee shall review and study any conditions or circumstances which may indicate the necessity or desirability of enacting new or additional legislation within the jurisdiction of that committee. * * *

With regard to subdivision (B), relating to the statement required by section 308(a) of the Congressional Budget Act of 1974, the following statement is made relative to the legislation:

> Section 3(a)(2) of the Congressional Budget Act defines the term "tax expenditures" as those revenue losses attributable to provisions of the Federal tax laws which allow a special exclusion exemption, or deduction, from gross income or which provide a special credit, a preferential rate of tax, or a deferral of tax liability.

None of the provisions of H.R. 5334 deals with taxation and thus, in your Committee's opinion, this bill does not provide new or increased tax expenditures.

Section 3(a)(2) of the Congressional Budget Act defines the term "budget authority" as authority provided by law to enter into obligations which will result in immediate or future outlays involving Government funds.

Under this definition, it is the final action of Congress that authorizes an agency to enter into obligations which constitutes new budget authority. In those cases which entail (1) an authorization for an agency to undertake a program; (2) an authorization for appropriation of funds to permit that agency to enter into obligations; and (3) an actual appropriation of such funds, it would be only the final action of Congress in appropriating funds which constitutes the budget authority.

None of the provisions of H.R. 5334 appropriates funds and thus, in your Committee's opinion, the bill does not provide new budget authority. Accordingly, no comparison of budget authority, outlays or tax expenditures or 5-year projections have been made.

With regard to subdivisions (C) and (D), the cost estimate of the Director of the Congressional Budget Office relative to H.R. 5334 follows:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, D.C., May 7, 1984.

Hon. PARREN J. MITCHELL,
Chairman, Committee on Small Business, U.S. House of Representatives, Rayburn House Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the attached cost estimate for H.R. 5334, the Small Business Development Center Improvement Act of 1984.

If you wish further details on this estimate, we will be pleased to provide them.

Sincerely,

RUDOLPH G. PENNER.

CONGRESSIONAL BUDGET OFFICE—COST ESTIMATE

1. Bill number: H.R. 5334.

2. Bill title: Small Business Development Center Improvement Act of 1984.

3. Bill status: As ordered reported by the House Committee on Small Business, April 4, 1984.

4. Bill purpose: H.R. 5334 would extend through fiscal year 1988 the authorization of such sums as may be necessary for the Small Business Development Center (SBDC) program administered by the Small Business Administration (SBA). The bill would also make a number of other changes affecting the funding and administration of the SBDCs.

The appropriation for fiscal year 1984 for the SBDC program is $22 million. The President is requesting $22 million for this purpose in 1985.

5. Estimated cost to the Federal Government:

[By fiscal years, in millions of dollars]

	1985	1986	1987	1988	1989
Estimated authorization level	30	38	47	57	
Estimated outlays	27	37	46	56	6

Note.—The costs of this bill fall within budget function 370.

Basis of Estimate: The SBDC program was authorized on a pilot basis in 1976. The size of the matching grants, contracts or cooperative agreements is determined by a formula based on a pro-rata share of $65 million, which is the authorized program ceiling. Consistent with historical trends, the estimated authorization level in each fiscal year reflects a 15 percent annual growth rate in the size of the contract awards, as well as an annual increase in the number of SBDCs, so that by 1988 an estimated 56 SBDCs would be operating. Outlays reflect historical spending patterns.

6. Estimated cost to State and local governments: The bill would modify certain requirements for SBDC matching grants, many of which are given to state universities. These changes would not significantly affect the budgets of state and local governments.

7. Estimate comparison: None.

8. Previous CBO estimate: On October 5, 1983, the Congressional Budget Office prepared a cost estimate for H.R. 4013, as ordered reported by the House Committee on Small Business, October 4, 1983. H.R. 4013 extended from October 1, 1984 to January 1, 1985, the SBDC program. H.R. 4013 required no additional funding for the SBDC program.

On November 7, 1983, the CBO prepared a cost estimate for S. 1429, as ordered reported by the Senate Committee on Small Business, November 1, 1984. S. 1429 authorized the appropriation of $30 million in 1985, and $40 million in 1986 and in 1987 for the SBDC program.

9. Estimate prepared by: Mary Maginniss.

10. Estimate approved by: C. G. Nuckols (for James L. Blum, Assistant Director for Budget Analysis).

No oversight findings or recommendations have been made by the Committee on Government Operations with respect to the subject matter contained in H.R. 5334.

In compliance with clause 2(l)(4), the Committee concludes that the provisions of this legislation in and of themselves will have no inflationary impact on prices and costs in the operation of the national economy.

In compliance with clause 7, rule XIII of the House of Representatives, the Committee makes the following statement:

The costs attributable to this bill for the current fiscal year and for fiscal years 1985–89 are as follows: This bill implicitly authorizes the appropriation of a maximum of $65 million in each of fiscal years 1985 through 1988 but the program would be repealed at the end of that year unless Congress again extends it.

We do not, however, expect the full amount to be appropriated each year and we do not disagree with the CBO estimate of total cost of $172 million over such time period.

No cost estimate was submitted by any Government agency on H.R. 5334 to your Committee.

In your Committee's opinion, the above statements fully comply with the Rules of the House of Representatives.

Section-by-Section Analysis

Citation: the Small Business Development Center Improvement Act of 1984.

Section 1 amends section 21(a)(1) of the Small Business Act to require that the term of the grants or cooperative agreements be made on a calendar year basis or to coincide with the Federal fiscal year.

Section 2 amends section 21(a)(2) of the Small Business Act to limit the amount of part-time salaries eligible for cash matching the amount of the grant from SBA to an amount not to exceed the total of salaries paid to full-time employees and used for cash match purposes.

Section 3 amends section 21(b)(1) of the Small Business Act by reinstating a requirement that any application for an SBDC grant must conform to a state plan if one has been adopted.

Section 4 amends section 21(a) of the Small Business Act: by emphasizing that the SBDC program is a partnership between the SBA and the applicant and under the management of the Deputy Associate Administrator for Management Assistance.

Section 5 amends section 21(c)(2) of the Small Business Act by requiring that each SBDC intake center be located in easily accessible facilities. It also requires that each SBDC have a full-time staff director to manage program activities, including budget matters.

Section 6 amends section 21(j) of the Small Business Act by eliminating the old reporting requirements and instead requires SBA to develop a proposal for biannual on-site evaluation of each SBDC by the SBA with the assistance of at least one other SBDC. The proposal would have to be completed and forwarded to Congress by January 31, 1985.

Section 7 amends section 21 of the Small Business Act by inserting a new subsection (l) which requires SBA to continue to contract out for the SBDC management information system until October 1, 1986.

Section 8 amends section 21 of the Small Business Act by inserting a new subsection (m) which authorizes the appropriation annually of such sums as may be necessary (1) to operate the SBDC program at up to $65 million when it is fully implemented on a national basis; (2) to pay the expenses of the National Small Business Development Center Advisory Board; (3) to pay for contracting out for the SBDC management information system; and (4) to reimburse the SBDCs for participation in the individual center evaluations as provided in the proposed subsection (j).

Section 9 amends Public Law 96-302 by extending the sunset date on the SBDC program from January 1, 1985 to October 1, 1988.

Section 10 makes the Act effective October 1, 1984 except that the restriction on the amount of salaries which can be used to match the SBDC grants would not be effective for contracts commencing prior to January 1, 1985.

Changes in Existing Law Made by the Bill, as Reported

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, as shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

Section 21 of the Small Business Act

Sec. 21. (a)(1) The Administration is authorized to make grants (including contracts and cooperative agreements) to any State government or any agency thereof, any regional entity, any State-chartered development, credit or finance corporation, any public or private institution of higher education, including but not limited to any land-grant college or university, any college or school of business, engineering, commerce, or agriculture, community college or junior college, or to any entity formed by two or more of the above entities (herein referred to as "applicants") to assist in establishing small business development centers and to any such body for: small business oriented employment or natural resources development programs; studies, research, and counseling concerning the managing, financing, and operation of small business enterprises; delivery or distribution of such services and information; and providing access to business analysts who can refer small business concerns to available experts. *The term of such grants shall be made on a calendar year basis or to coincide with the Federal fiscal year.*

(2) The Administration shall require, as a condition to any grant (or amendment or modification thereof) made to an applicant under this section, that *in order to carry out the partnership between the Administration and the applicant to assist small businesses* an additional amount (excluding any fees collected from recipients of such assistance) equal to the amount of such grant be provided from sources other than the Federal Government: *Provided,* That the additional amount shall not include any amount of indirect costs or in-kind contributions paid for under any Federal program, nor shall indirect costs or in-kind contributions exceed 50 percent of the non-Federal additional amount: *Provided, That sala-*

ries paid by the applicant shall not be treated as other than in-kind contributions unless they are paid (A) to full-time employees or (B) to other than full-time employees in an aggregate amount not to exceed 100 per centum of the aggregate amount paid to full-time employees: Provided further, That no recipient of funds under this section shall receive a grant which would exceed its pro-rata share of a $65,000,000 program based upon the population to be served by the small business development center as compared to the total population in the United States, or $200,000, whichever is greater.

(b)(1) [During fiscal years 1981, 1982, and 1983, financial] *Financial* assistance shall not be made available to any applicant if approving such assistance would be inconsistent with a plan for the area involved which has been adopted by an agency recognized by the State government as authorized to do so and approved by the Administration in accordance with the standards and requirements established pursuant to this section.

[(2) An applicant may apply to participate in the program by submitting to the Administration for approval a plan naming those authorized in subsection (a) to participate in the program, the geographic area to be served, the services that it would provide, the method for delivering services, a budget, and any other information and assurances the Administration may require to insure that the applicant will carry out the activities eligible for assistance. The Administration is authorized to approve, conditionally approve or reject a plan or combination of plans submitted. In all cases, the Administration shall review plans for conformity with the plan submitted pursuant to paragraph (1) of this subsection, and with a view toward providing small business with the most comprehensive and coordinated assistance in the State or part thereof to be served.]

(2) After consulting with, but without the need to obtain the approval of, the Administration's local district office or local offices, an applicant may apply to participate in the program by submitting to the Deputy Associate Administrator for Management Assistance an application naming those authorized in subsection (a) to participate in the program, the geographic area to be served, the services that it would provide, the method for delivering services, a budget, and any other information and assurances the Administration may require to insure that the applicant will carry out the activities eligible for assistance. The Administration is authorized to approve, conditionally approve, or reject an application or combination of applications submitted. In all cases, the Administration shall review applications for conformity with a plan, if any, approved pursuant to paragraph (1) of this subsection, and with a view toward providing small business with the most comprehensive and coordinated assistance in the State or part thereof to be served.

* * * * * * *

(c)(1) Applicants receiving grants under this, *in consultation with the Administration's local district office or offices,* shall assist small businesses in solving problems concerning operations, manufacturing, engineering, technology exchange and development, personnel administration, marketing, sales, merchandising, finance, accounting, business strategy development, and other disciplines

required for small business growth and expansion, innovation, increased productivity, and management improvement, and for decreasing industry economic concentrations.

[(2) A small business development center shall provide services as close as possible to small businesses by providing extension services and utilizing satellite locations when necessary. To the extent possible, it also shall make full use of other Federal and State government programs that are concerned with aiding small business. A small business development center shall have—

[(A) a full-time staff, including a staff director to manage the program activities;]

(2) A small business development center shall provide services as close as possible to small businesses by providing extension services and utilizing subcenters when necessary. To the extent practicable, each intake center and each intake subcenter shall be located in easily accessible facilities in such places as shall provide maximum accessibility and benefits to the small business community. To the extent possible, it also shall make full use of other Federal and State government programs that are concerned with aiding small business. A small business development center shall have—

(A) a full-time staff, including (i) a full-time director who shall have the authority to make expenditures under the center's budget and who shall manage the program activities, and (ii) at least a full-time director at each subcenter unless the level of activity at such location makes it impractical to do so;

* * * * * * *

[(j) The Administration, with the advice of the Board, shall establish a plan for evaluation of the small business development center program which may include the retaining of an independent concern to conduct such an evaluation. The evaluation shall be both quantative and qualitative and shall determine—

[(1) the impact of the small business development center program on small businesses, including private consultants, and the socio-economic base of the area served;

[(2) the multidisciplinary resources the small business development center program was able to coordinate to assist small businesses; and

[(3) the extent to which various types of small businesses engaged in areas such as manufacturing, retailing, wholesaling and services have been assisted by the small business development center program.

For the purpose of this evaluation, the Administration is authorized to require any small business development center or party receiving assistance under this section to furnish it with such information annually or otherwise as it deems appropriate. Such evaluation shall be completed and submitted to the Senate Select Committee on Small Business and the Committee on Small Business of the House of Representatives by January 31, 1983.]

(j) The Administration shall develop a program proposal for an onsite biannual evaluation of each small business development center. The evaluation shall be both qualitative and quantitative and shall measure the effectiveness of the program and the cost of delivery, make an assessment of the benefits accruing to the areas

served, and report on such other matters as the Administration deems appropriate. It also shall provide for participation in the evaluation by the representative of at least one other small business development center on a cost-reimbursement basis. The Administration's program proposal shall be formulated by employees of the Administration in consultation with representatives of the small business development centers, and it shall be submitted to the Senate Committee on Small Business and the Committee on Small Business of the House of Representatives by January 31, 1985.

* * * * * * *

(l) In lieu of the current contract, the Administration may study development of an in-house computer system to provide a management information system for the small business development center program. Implementation of any such change shall not occur prior to October 1, 1986, nor until such time as the Administration evaluates the cost effectiveness of the change and reports to the Senate Committee on Small Business and the House Committee on Small Business on the need and effectiveness of providing such a system in-house. In the interim, the Administration shall continue to contract out for a management information system to provide data on the operation of the program to the small business development centers and for its own use.

(m) There are hereby authorized to be appropriated each year such sums, which shall remain available until expended, as may be necessary and appropriate (1) to carry out the provisions and purposes of the small business development center program provided herein, but not to exceed an annual level as specified in paragraph (2) of subsection (a), (2) to pay the expenses of the National Small Business Development Center Advisory Board as provided in subsection (h), (3) to pay for contracting for a data base as provided in subsection (l), and (4) to reimburse centers for participation in evaluations as provided in subsection (k).

SECTION 204 OF THE SMALL BUSINESS DEVELOPMENT CENTER ACT OF 1980

SEC. 204. Sections 201 and 202 of this title are repealed effective [January 1, 1985.] *October 1, 1988.*

○

98TH CONGRESS
2d Session
HOUSE OF REPRESENTATIVES
REPT. 98–750
Part 1

WOMEN'S SMALL BUSINESS OWNERSHIP ACT OF 1984

MAY 15, 1984.—Ordered to be printed

Mr. MITCHELL, from the Committee on Small Business, submitted the following

REPORT

[To accompany H.R. 3832 which, on August 4, 1983, was referred jointly to the Committee on Banking, Finance and Urban Affairs, the Committee on Government Operations, and the Committee on Small Business]

[Including cost estimate of the Congressional Budget Office]

The Committee on Small Business, to whom was referred the bill (H.R. 3832) to establish the National Commission on Women's Business Ownership, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Strike out all after the enacting cause and insert the following:

SHORT TITLE

SECTION 1. This Act may be cited as the "Women's Small Business Ownership Act of 1984".

ESTABLISHMENT

SEC. 2. There is established a Commission to be known as the "National Commission on Women's Small Business Ownership" (hereinafter in this Act referred to as the "Commission").

DUTIES OF THE COMMISSION

SEC. 3. (a) The Commission shall review—

(1) the status of women owned small business nationwide and the progress made since the 1980 White House Conference on Small Business for such businesses to be represented equitably in the mainstream of the American economy;

(2) the role of the Federal Government in aid to, and the promotion of, women owned small business;

(3) data collection procedures and the availability of data relating to (A) women owned businesses; (B) women owned small business, and (C) small business owned and controlled by socially and economically disadvantaged women; and

(4) such other Federal initiatives as may exist relating to women owned small business including, but not limited to, those relating to federal procurements.

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(b) In the course of performing those duties described in subsection (a), the Commission shall pay particular regard to the special impediments suffered by small business concerns owned and controlled by socially and economically disadvantaged women.

(c) Based upon its review, the Commission shall recommend, in the manner prescribed by Section 7—

(1) new private sector initiatives which would provide management and technical assistance to women owned small business;

(2) ways to promote greater access to financing and procurement opportunities for such businesses; and

(3) such other measures as may have particular applicability for small business concerns owned and controlled by socially and economically disadvantaged women.

(d) For the purpose of this Act—

(1) the term "women owned small business" shall mean a small business as defined pursuant to section 3 of the Small Business Act, as amended (P.L. 85–836), and relevant regulations promulgated pursuant thereto; and

(A) which is at least 51 percentum owned by one or more women; or, in the case of any publicly owned business, at least 51 percentum of the stock of which is owned by one or more women; and

(B) whose management and daily business operations are controlled by one or more of such women.

(2) The term "small business owned and controlled by socially and economically disadvantaged women" shall mean a business concern which is described in paragraph (1) and, in addition, whose owners also qualify as socially and economically disadvantaged pursuant to section 8(d)(3) of the Small Business Act.

MEMBERSHIP

SEC. 4. (a) The Commission shall be composed of nine members to be appointed as follows:

(1) Three members shall be appointed by the President.

(2) Three members shall be appointed by the Majority Leader of the Senate from a list of fifteen individuals nominated for such appointment by the Chairman of the Committee on Small Business of the Senate.

(3) Three members shall be appointed by the Speaker of the House of Representatives from a list of fifteen individuals nominated for such appointment by the Chairman of the Committee on Small Business of the House of Representatives.

(b)(1) Appointments under subsection (a) shall be made from individuals who are specially qualified to serve on the Commission by virtue of their education, training, or experience, and who are not officers or employees of the Federal Government nor of the Congress.

(2)(A) Of the individuals to be appointed under subsection (a)—

(i) no more than two members to be appointed under each paragraph of such subsection shall be of the same political party;

(ii) at least two members appointed shall be socially disadvantaged as defined pursuant to section 8(a)(5) of the Small Business Act, and at least two members appointed under each paragraph of such subsection shall be women; and

(iii) at least one member to be appointed under each paragraph of such subsection shall be the owner of small business concern as defined pursuant to section 3 of the Small Business Act and relevant regulations promulgated pursuant thereto.

(B) Appointments made pursuant to subsection (a) shall be made in the following sequence—

(i) appointments under (a)(1) shall be made within 90 days of the effective date of this Act;

(ii) appointments under (a)(2) shall be made within 120 days of the effective date of this Act; and

(iii) appointments under (a)(3) shall be made within 150 days of the effective date of this Act.

(3) In making appointments under subsection (a), the appointing authorities shall give due consideration to achieving balanced geographical representation.

(c) Members shall be appointed for the life of the Commission, except if any member of the Commission becomes an officer or employee of the Federal Government or of the Congress, such individual may continue as a member of the Commission for not longer than the thirty-day period beginning on the date such individual becomes such an officer or employee.

(d) A vacancy in the Commission shall be filled in the manner in which the original appointment was made: *Provided*, That a vacancy to be filled pursuant to paragraph (2) or (3) of subsection (a) shall be made from the submission of a revised list of nominees to be submitted to the appropriate appointing authority.

(e) Members of the Commission shall serve without pay, except members of the Commission shall be entitled to reimbursement for travel, subsistence, and other necessary expenses incurred by them in carrying out the functions of the Commission, in the same manner as persons employed intermittently in the Federal Government are allowed expenses under section 5703 of title 5, United States Code.

(f)(1) Two members of the Commission shall constitute a quorum for the receipt of testimony and other evidence pursuant to section 6(a).

(2) A majority of the Commission shall constitute a quorum for the approval of any report to be transmitted pursuant to section 7.

(g) The Chairperson and Vice Chairperson of the Commission shall be designated by the President. The term of office of the Chairperson and Vice Chairperson shall be the life of the Commission.

(h) The Commission shall meet not less than four times a year. Meetings shall be at the call of the Chairperson.

DIRECTOR AND STAFF OF THE COMMISSION

SEC. 5. (a)(1) The Commission shall have a Director who shall be appointed by the Chairperson. Upon recommendation by the Director, the Chairperson may appoint and fix the pay of four additional personnel.

(2) The Director and staff of the Commission may be appointed without regard to section 5311(b) of title 5, United States Code, and without regard to the provisions of such title governing appointments in the competitive service, and may be paid without regard to the provisions of chapter 51 and subchapter III of chapter 53 of such title relating to classification and General Schedule pay rates, except that no individual so appointed may receive pay in excess of the annual rate of basic pay payable for GS–18 of the General Schedule.

(b) The Commission may procure temporary and intermittent services under section 3109(b) of title 5 of the United States Code, but at rates for individuals not to exceed the daily equivalent of the maximum annual rate of basic pay payable for GS–18 of the General Schedule.

(c) Upon request of the Chairperson, the head of any federal department or agency may detail, on a reimbursable basis, any of the personnel of such agency to the Commission to assist the Commission in carrying out its duties under this Act, without regard to section 3341 of title 5 of the United States Code.

POWERS OF THE COMMISSION

SEC. 6. (a) The Commission may, for the purpose of carrying out this Act, sit and act at such times and places, hold such hearings, take such testimony, receive such evidence, and consider such information, as the Commission considers appropriate. The Commission may administer oaths or affirmations for the receipt of such testimony.

(b) Any member or person within the employ of the Commission may, if so authorized by the Commission, take any action which the Commission is authorized to take by this section.

(c) Except as otherwise prohibited by law, the Commission may secure directly from any department or agency of the United States information necessary to enable it to carry out its duties under this Act. Upon the request of the Chairperson of the Commission, the head of such department or agency shall promptly furnish such information to the Commission.

(d) The Commission may use the United States mails in the same manner and under the same conditions as departments and agencies of the United States.

(e) The Administrator of the General Services Administration shall provide to the Commission on a reimbursable basis, such administrative support services as the Commission may request. In addition, the Administrator shall, as appropriate, provide to the Commission, upon its request, access to and use of such federal facilities as may be necessary for the conduct of its business.

REPORTS

SEC. 7. The Commission shall transmit to the President and to each House of the Congress an interim report no less than once in every six month period and shall transmit a final report to the President and to each House of Congress not less than twenty-six months after the date of the Commission's first meeting. The final report shall contain a detailed statement of the findings and conclusions of the Commission, together with its recommendations for such legislation and administrative actions as it considers appropriate.

TERMINATION

SEC. 8. The Commission shall cease to exist on the date that it transmits its final report to the President and to each House of the Congress.

AUTHORIZATION OF APPROPRIATIONS

SEC. 9. There are authorized to be appropriated such sums as may be necessary to carry out this Act, and they may remain available until expended. New spending authority or authority to enter contracts as provided in this Act shall be effective only to such extent and in such amounts as are provided in advance in appropriation Acts.

COMPLIANCE WITH BUDGET ACT

SEC. 10. This Act shall take effect October 1, 1984.

THE PURPOSE OF THE BILL

The purpose of H.R. 3832 is to establish a bipartisan National Commission on Women's Small Business Ownership.

Through this Commission, H.R. 3832 intends to provide a central focus for a review of the present status of women owned small business, with particular attention to the special needs of women business owners who are socially and economically disadvantaged. Based upon its investigation, the Commission will recommend private sector and Federal initiatives to assist women with skills and aspirations to overcome business impediments caused by discrimination.

INTRODUCTION AND BACKGROUND

The bill, H.R. 3832, was introduced by Representative Jim Moody for himself and 30 cosponsors on August 4, 1983. At the time of filing this report, the bill had a total of 84 cosponsors.

The bill was jointly referred to the Committees on Small Business; Banking, Finance and Urban Affairs; and, Government Operations.

The Committee on Small Business conducted a hearing on H.R. 3832 in Washington, D.C., on April 12, 1984. After careful consideration of the testimony and other available information, your Committee, by voice vote, ordered the bill favorably reported with an amendment in the nature of a substitute at a Committee meeting held on May 1, 1984.

THE NEED FOR THE LEGISLATION

Women owned business constitutes the fastest growing segment of the small business economy. By all indications, women are going into business at a rate five times faster than men and now own approxi-

mately three million businesses, or about one-quarter of all small enterprises in the United States. Business receipts, however, have not kept pace with the increase in ownership. According to the figures available from the Internal Revenue Service, gross annual receipts from women owned sole proprietorships are less than one-tenth of their male counterparts.

It is a well documented fact that women face impediments in business as the result of both past and present sex discrimination.[1] Equity alone demands, therefore, that the Government make an affirmative effort to eliminate these discriminatory barriers. Moreover, from a strictly economic standpoint, it simply does not make any sense to ignore the creativity, talent and ingenuity that over one half of our population may contribute to economic growth.

While there have been previous efforts to identify the problems of female entrepreneurs, many of these efforts are dated. Other reviews were either fragmented or too narrowly focused or tainted by political influences to be of value. Accordingly, not one of these efforts has resulted in the adoption of any legislation or substantive administrative reform.

A national commission on women's small business ownership comprised of members appointed by the President, the Senate and the House of Representatives is needed to ensure a bipartisan approach. Members of the Commission should be selected in a way that will promote a balanced representation of varied interests.

Moreover, investigations should be directed toward topics which are determined to be of primary concern to female entrepreneurs. Finally, a review should be made of all previous efforts to explore issues related to women in business so that both the legislative and executive branches of the Federal Government may be presented with recommendations for corrective action.

WHAT THE BILL WOULD DO

I. Establishment of a National Commission

The bill would establish a nine-member, bipartisan National Commission on Women's Small Business Ownership. The Commission would function for a period of no more than 26 months, terminating automatically following the submission of a final report to the President and to the Congress.

II. Duties of the Commission

The Commission would review and evaluate the status of women-owned small business throughout the United States and would assess the progress made since the 1980 White House Conference on Small Business.

In April 1980, the White House Commission on Small Business issued a report, which addressed issues relating to small business generally and included findings and recommendations relating to minority and women-owned businesses. Your Committee believes that a national

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[1] Subcommittee on Minority Enterprise and General Oversight of the House Committee on Small Business, Women in Business, H.R. Rep. No. 95–604, 95th Cong., 1st Sess. (1977).
U.S. Commission on Civil Rights, Report on Minorities and Women As Government Contracts (May 1975).
The President's Interagency Task Force on Women Business Owners Report, The Bottom Line: Unequal Enterprise in America (June 1978).

commission established on a bipartisan basis can build upon previous studies, including the 1980 Report of the White House Commission, track efforts made by government and private sector groups to implement the recommendations, and make independent evaluations and projections for the future.

Statistics available to your Committee appear to indicate that while business skills and abilities are not, of course, related to gender, women owned businesses do not succeed at the same rate as the industry averages nor do they achieve levels of profitability for which they have potential. It is vital that the Commission established by H.R. 3832 bring together information necessary to confirm or refute these assumptions.

In order to effectively evaluate the status of women owned as compared to all other small businesses, it will be necessary to collate and evaluate data from a number of sources. For this reason the Commission is required to not only collect data now available, but to review the data collecting procedures and to identify gaps and discrepancies. For example, data available from the Internal Revenue Service provides information on sole proprietorships but does not contain a total count of women operated firms. The Bureau of Labor statistics population survey has data on female wage and salary workers in non-agricultural industries, and the Bureau of Census provides figures that can be used for educational levels, fields of business-related study, and income occupations. In addition, procurement data are also available on government purchases from women owned firms. But, an updated study of all these sources in a single focus is needed and long overdue.

Although data relating to small business are critical to the work of the Commission, data relating to other than small business is also valuable. For example, a number of women owned businesses are extremely large and enjoy huge gross receipts. It is also true that many women become owners and controllers of businesses by inheritance. Data relating to both of these factors could be extremely instructive in an analysis of special problems relating to gender and/or cultural differences. For this reason the bill would specify that the Commission's review of data collection procedures and the availability of data should be separately identified for all female owned business, for women owned small business, and for small business owned and controlled by the socially and economically disadvantaged. Of course, this data should be captured for all forms of business ownership.

The Commission would review the role of the Federal Government in aid to and promotion of women owned small business. It is your Committee's belief that a bipartisan study of present and past initiatives to promote business and economic goals generally can be applied to the task of defining how, why, and to what extent the government should be involved in addressing gender-related business problems.

The Commission's review is also to include all existing Federal initiatives relating to women owned small business including, but not limited to, Federal procurements and the provision of management and technical assistance.

In the performance of its duties, the Commission is required to give particular regard to the special problems and impediments that plague women business owners who are members of socially and economical-

ly disadvantaged groups. It is a finding of your Committee, as a result of hearings and careful study of available information, that members of minority groups face problems of racial discrimination which continue to severely impede access to the resources needed to establish or maintain a business. When social and economic disadvantage resulting from race or ethnicity is combined with inherent cultural problems relating to being female, the effect of each are exacerbated. For this reason your Committee believes that a special directive is needed to ensure that attention be given to differences in the nature and severity of problems experienced by this subset of women owned small businesses.

H.R. 3832 would require the Commission to make recommendations based upon its review. It is not the intention of your Committee to limit the number or character of the Commission's recommendations, but the recommendations shall include private sector initiatives, specifically those that would provide management and technical assistance to women owned business, ways to promote greater access to financing and procurement opportunities in the government and the private sector, and initiatives to address the particular problems of businesses owned and controlled by socially and economically disadvantaged women.

The bill includes a number of definitions for the purpose of guiding the Commission. While your Committee feels that valuable information about all women owned businesses should be made available to the Commission, your Committee intends that activities and recommendations focus on enterprises that are small, for the purpose of aiding and promoting the formation and growth of women owned small business. The bill adopts the definition of "small business" contained in section 3 of the Small Business Act and relevant regulations promulgated pursuant thereto.

In its deliberations the Committee recognized the fact that a very large number of U.S. businesses may be held jointly by husband and wife, or by male and female partners or stock holders in equal shares. Joint male and female ownership in equal shares does not suppose, nor should it be supposed, that management and control reside always in the male owner. The same problems relating to female ownership may apply to businesses that are 50-percent owned and controlled by women as apply to those that are 51 percent owned and controlled by women. Accordingly, any data or information relating to 50-percent ownership could be instructive and should be considered. All sources of relevant and related information should be explored for applicability to the Commission's duties. If the Commission is able to draw conclusions based on information relating to this group of businesses, within the prescribed time and fiscal limitations, it should do so.

III. Membership

The bill would require that the Commission be comprised of nine persons to be appointed in the following manner: three persons shall be appointed by the President; three persons shall be appointed by the Senate majority leader from a list of fifteen submitted to the Senate majority leader by the Chairman of the Senate Small Business Committee; and, three persons shall be appointed by the Speaker of the House from a list of fifteen persons selected and nominated by

the Chairman of the House Committee on Small Business. The bill specifies that individuals appointed are to be qualified by education, training, or experience and that such individuals may not be officers or employees of the Federal Government or of Congress. Consideration must also be given to achieving balanced geographical representation.

The bill further specifies that the Commission must be bipartisan: no more than six may be of the same political party. In addition, at least six of the nine must be women; at least two of the nine must be socially disadvantaged; and, at least three must be owners of small businesses.

Appointments under each group would be staggered, with those made by the President being made within 90 days of the effective date of the Act, those made by the Senate being made within 120 days and those made by the House being made within 150 days. Your Committee believes that this provision would ensure a more orderly appointment procedure, and would help avert confusion or delay that might be caused by duplicate nominations or appointments.

The Chairperson and Vice Chairperson are to be designated by the President for the life of the Commission. Members of the Commission would serve without pay but would be entitled to reimbursement for necessary expenses in the same manner as is provided for under Section 5703 of title 5, U.S. Code for persons employed intermittently in the Federal Government.

The bill includes technical provisions for filling vacancies, for defining and specifying the use of quorums, for the number of meetings required, and for the manner of calling meetings.

IV. Commission Director and staff

The Commission would have a Director, to be appointed by the Chairperson, and four additional personnel. The Chairperson would be permitted to request personnel assistance from any Federal agency or department and would have authority to procure additional research or technical services as may be needed.

V. Powers of the Commission

The bill would grant such powers and authority as would be needed to carry out the functions of the Commission. The Commission would sit, conduct hearings, administer oaths or affirmations, take testimony, consider information, and take any action the Commission deems appropriate. It is anticipated that the Commission would assemble information from as wide a range of sources as possible and, for this reason, the bill empowers the Commission to request and receive information from any U.S. agency or department, unless such information is protected by the Privacy Act, national security considerations, or other legal prohibitions.

Your Committee expects that the Commission would hold field hearings. The bill would permit access to appropriate Federal facilities, wherever available, to assist the Commission in carrying out its functions.

VI. Reports

The bill would require an interim report every six months and a final report to be submitted to the President and to the Congress within 26 months of the date of the Commission's first meeting. The final report would include detailed statements of findings, conclusions, and recommendations for legislative and administrative action, and would suggest such private sector measures as deemed appropriate. Your Committee believes that interim reports would be useful in enabling the appointing bodies to maintain oversight and to provide additional opportunity for questions or suggestions. It is not the intent of your Committee, however, that the Commission staff spend disproportionate time and resources on interim reports. The effort expended should not detract from the depth and quality of the final report. It would be advisable, therefore, that interim reports be confined to a simple statement of actions taken, activities proposed, and such additional information as is deemed appropriate to keep the Congress and the President adequately informed. Such reports should be limited to a letter format.

V. Termination

After transmitting its final report to the President and to the Congress, the Commission would cease to exist. The final report shall be due within 26 months after the date of the Commission's first meeting.

VI. Authorization of appropriations

The bill would authorize the appropriation of funds necessary to carry out the duties of the Commission and would limit contracting authority to amounts appropriated in advance.

VII. Effective date

This Act would take effect October 1, 1984.

CONCLUSION

It is the conclusion of your Committee that action is needed to identify and address the particular problems facing women small business owners. For several years the Congress has gathered information indicating that women suffer disadvantages in business due to sex discrimination. Our educational and social systems fail to adequately encourage women to prepare for entrepreneurship. Women are underrepresented in fields of study which translate into priority industries and help develop managerial skills. They still encounter bias at the bank, in the board room, and at the negotiating table. Women who are members of minority groups have additional barriers to overcome.

This bill is a carefully formulated response to the needs of women business owners. It provides a responsible and responsive forum to consider the issues and to formulate recommendations. It is the logical culmination of a review process dating back several years.

The National Commission established by this bill is needed in order to provide a framework for possible future legislative or administrative action. Our Nation needs the jobs and real wealth generated when

women, one half of the Nation's population, go into business and when such businesses grow and prosper. The Congress must be committed to the removal of barriers that impede this progress.

Your Committee believes that this bill is an equitable and reasonable means of promoting women's business ownership and economic stability.

MATTERS TO BE DISCUSSED UNDER HOUSE RULES

In compliance with clause 2(l)(2) of rule XI of the House of Representatives, the following statement is made relative to the vote on the motion to report H.R. 3832, as amended.

A majority of the Committee voted in person and was actually present and the motion was approved by voice vote.

In compliance with clause 2(l)(3) of rule XI of the Rules of the House of Representatives, the following statements are made:

With regard to subdivision (A), relating to oversight findings, the Committee finds, in keeping with clause 2(b)(1) of rule X, that this legislation is in full compliance with the provisions of this rule of the House, which states:

> In addition, each such committee shall review and study any conditions or circumstances which may indicate the necessity or desirability of enacting new or additional legislation within the jurisdiction of that committee * * *

With regard to subdivision (B), relating to the statement required by section 308(a) of the Congressional Budget Act of 1974, the following statement is made relative to the legislation:

> Section 3(a)(2) of the Congressional Budget Act defines the term "tax expenditures" as those revenue losses attributable to provisions of the Federal tax laws, which allow a special exclusion, exemption, or deduction from gross income or which provide a special credit, a preferential rate of tax, or a deferral of tax liability.

None of the provisions of H.R. 3832 deals with taxation and thus, in your Committee's opinion, the bill does not provide new or increased tax expenditures.

Section 3(a)(2) of the Congressional Budget Act defines the term "budget authority" as authority provided by law to enter into obligations which will result in immediate or future outlays involving government funds.

Under this definition, it is the final action of Congress that authorizes an agency to enter into obligations which constitutes new budget authority. In those cases which entail (1) an authorization for an agency to undertake a program; (2) an authorization for appropriation of funds to permit that agency to enter into obligations; and, (3) an actual appropriation of such funds, it would be only the final action in appropriating funds which constitutes the budget authority.

None of the provisions of H.R. 3832 appropriates funds, and thus, in your Committee's opinion, the bill does not provide new budget authority. Accordingly, no comparison of budget authority, outlays or tax expenditures, or 5-year projections have been made.

With regard to subdivisions (C) and (D), the cost estimate of the Director of the Congressional Budget Office relative to H.R. 3832 was requested and follows:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, D.C., May 3, 1984.

Hon. PARREN J. MITCHELL,
Chairman, Committee on Small Business, U.S. House of Representatives, Rayburn House Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: The Congresional Budget Office has reviewed H.R. 3832, the Women's Small Business Ownership Act of 1984, as ordered reported by the House Committee on Small Business, May 1, 1984. We expect that enactment of this legislation would cost the federal government about $2 million over the fiscal years 1985 through 1987.

H.R. 3832 would establish a National Commission on Women's Small Business Ownership. The nine-member commission would analyze the status of women-owned small business, collect data, and make recommendations for federal as well as private sector assistance.

While the members of the commission would serve without pay, they would be eligible for reimbursement for expenses incurred in carrying out the commission's functions. The commission would appoint a director and four staff members, and could use, on a reimbursable basis, staff and administrative support services of certain federal agencies. Interim reports would be submitted every six months until the commission terminates 26 months after the date of the first meeting, when a final report would be transmitted to the President and each body of the Congress.

H.R. 3832 would authorize the appropriation of such sums may be necessary to carry out the activities of the commission. Based on a review of several temporary study commissions recently established to perform similar types of analyses, we estimate that the cost of the commision would total approximately $2 million, beginning in 1985. The cost could vary depending upon the scope and quality of the analysis, although ultimately the precise amount available to the commission would be determined through the appropriation process.

Enactment of this bill would not affect the budgets of state and local governments.

If you wish further details on this estimate, we will be pleased to provide them.

Sincerely,

RUDOLPH G. PENNER, *Director.*

No oversight findings or recommendations have been made by the Committee on Government Operations with respect to the subject matter contained in H.R. 3832.

In compliance with clause 2(l)(4), the Committee concludes that the provisions of this legislation in and of themselves will have no inflationary impact on prices and costs in the operation of the national economy.

In compliance with clause 7, rule XIII of the House of Representatives, the Committee makes the following statement:

The administrative costs of $2 million attributable to this bill for the current fiscal year and for fiscal years 1985–87 are expected to be more than offset by the benefits to be derived. The bill demonstrates a commitment by the Federal Government to address barriers faced by women owned small business concerns. This expression of interest embodied in the establishment of a National Commission will generate optimism and result in accelerated business growth and formation. Accordingly, your Committee believes that the $2 million costs associated with the bill are well justified. The provisions of this bill are not authorized beyond 1987.

No cost estimate was submitted by any government agency on H.R. 3832 to your Committee.

In your Committee's opinion, the above statements fully comply with the rules of the House of Representatives.

SECTION-BY-SECTION ANALYSIS

Section 1 cites the Act as the "Women's Small Business Ownership Act of 1984."

Section 2 establishes a National Commission on Women's Small Business Ownership.

Section 3 establishes the duties of the Commission. Subsection (a) requires the Commission to:

(1) review the status of women owned small business and the progress made since the 1980 White House Conference on Small Business;

(2) review the role of the Federal Government in aid to and the promotion of women owned small business;

(3) review data collection procedures relating to women owned business, women owned small business, and small business owned by socially and economically disadvantaged women; and

(4) review existing Federal programs relating to women owned small business, including Federal procurement programs.

Subsection (b) requires that in the course of performing these duties the Commission is to consider the special impediments suffered by women business owners who are socially and economically disadvantaged.

Subsection (c) requires that, based upon its review, the Commission is to recommend:

(1) new private sector initiatives which would provide management and technical assistance;

(2) ways to promote greater access to financing and procurement opportunities; and

(3) such other measures as may have particular applicability to small businesses which are owned by socially and economically disadvantaged women.

Subsection (d) of this section defines women owned small business as concerns that meet the size definition of section 3 of the Small Business Act and regulations promulgated thereto, and are 51 percent owned and controlled by women. Small businesses owned by socially

and economically disadvantaged women are defined by reference to section 8(d)(3) of the Small Business Act.

Section 4 would prescribe that Commission membership be comprised of nine members to be designated as follows:

(1) three appointed by the President;

(2) three appointed by the Speaker of the House from a list of fifteen nominations made by the Chairman of the Committee on Small Business; and

(3) three appointed by the Majority Leader of the Senate from a list of 15 nominations made by the Chairman of the Senate Committee on Business Committee.

Subsection (b) prescribes that appointments be made from among individuals specially qualified by education, training, or experience. The appointees would not be allowed to be officers or employees of the Government.

This subsection also prescribes that of each group of three members appointed by the President, the Speaker of the House, and by the Majority Leader of the Senate, no more than two could be from the same political party; at least two would have to be women; and, at least one would have to be a small business owner. At least two members of the entire Commission would have to be socially disadvantaged.

Under subsection (b), appointments made by the President would have to be made within 90 days, appointments by the Senate within 120 days, and appointments by the House of Representatives within 150 days of the effective date of the Act.

In addition, geographical balance would have to be considered in the making of appointments.

Subsection (c) prescribes that members would be appointed for the life of the Commission and that individuals who become officers or employees of the Government would be allowed to serve no longer than 30 days following the effective date of employment.

Subsection (d) prescribes that vacancies would be filled by appointments from a revised list of nominees.

Section (e) prescribes that members would serve without pay but would be reimbursed for necessary expenses.

Subsection (f) prescribes that two members constitute a quorum for receipt of testimony; a quorum of five would be required to approve reports.

Subsection (g) provides for the Chair and Vice Chairperson to be designated by the President and to serve for the life of the Commission.

Subsection (h) requires the Commission to meet at least four times yearly at the call of the Chair.

Section 5 states that the Chairperson shall appoint a Director at a GS–18 pay level. Upon the Director's recommendation the Chairperson may hire four additional staff persons, procure temporary services and request the assistance of Federal agency personnel.

Section 6 provides that the Commission would have the power to:

(1) hold hearings and receive testimony and evidence; and

(2) administer oaths or affirmations for receipt of testimony.

Subsection (b) of this section provides that any member or person within the employ of the Commission may take any action authorized by the Commission.

Pursuant to subsection (c), the Commission may secure relevant information, except as otherwise prohibited by law, from any department or agency of the Federal Government.

Subsection (d) authorizes the Commission to use the mails under the same conditions as other Federal agencies.

Subsection (e) directs the administrator of the General Services *Administration to provide the* Commission support services on a reimbursable basis, and to make available Federal facilities, as appropriate, to conduct its business.

Section 7 would require an interim report every six months and would require a final report to Congress and to the President of findings, conclusions, and recommendations within 26 months after the Commission's first meeting.

Section 8 provides for termination of the Commission after its final report is transmitted to the President and the Congress.

Section 9 authorizes the appropriation of funds to implement the Act, provides for funds to remain available until expended, and limits contracting authority to the extent funds are appropriated in advance.

Section 10 establishes an effective date of October 1, 1984.

CHANGES IN EXISTING LAW

In compliance with clause 3 of Rule XIII of the Rules of the House of Representatives, your Committee reports no changes in existing law are made by the bill.

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